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ABSTRACT

This report, along with its supplemental volumes, assesses the welfare system and its successes and failures, describes the frustrations felt by the poor in the United States, and proposes a basic change in public assistance policy. America's state and federal governments spend more than $150 billion a year on programs to alleviate poverty, yet poverty continues to be a problem. Weaknesses within the centralized welfare system contribute significantly to the persistence of poverty in America. The following recommendations are offered: (1) the welfare system must be treated as a system; (2) no "national" welfare reforms should be proposed or supported without first being locally tested; (3) reform goals should be adopted that comprehensively define federal requirements for reform, allow maximum flexibility for state- and community-based reform efforts, and retain the current federal-state financing commitments; (4) the Federal Government should initiate a program of widespread, long-term experiments in welfare policy through state-sponsored and community-based demonstration projects; and (5) legislation should be proposed to implement the experimental program and ensure that its useful results are gradually incorporated into the national public assistance system. The report discusses findings, the potential for reform, and the proposal for a new national welfare strategy. Section I is the President's call for action. Section II describes the features and failures of the current system. Section III analyzes the weaknesses in the system and describes the potential for reform. Section IV presents the new strategy and proposes policy goals. Data are illustrated on 12 tables and figures. Sixty notes are included. (BJV)

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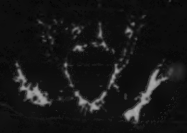
UP FROM DEPENDENCY

A New National Public Assistance Strategy



Report to the President by the Domestic Policy Council
Low Income Opportunity Working Group

December 1986

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UP FROM DEPENDENCY
A New National Public Assistance Strategy

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Section I

THE PRESIDENT'S CALL FOR ACTION

In his 1986 State of the Union Address, President Ronald Reagan drew attention to the problems of poverty and welfare in America:

> "In the welfare culture, the breakdown of the family, the most basic support system, has reached crisis proportions -- in female and child poverty, child abandonment, horrible crimes and deteriorating schools. After hundreds of billions of dollars in poverty programs, the plight of the poor grows more painful. But the waste in dollars and cents pales before the most tragic loss -- the sinful waste of human spirit and potential.
>
> We can ignore this terrible truth no longer. As Franklin Roosevelt warned 51 years ago, standing before this chamber...'Welfare is a narcotic, a subtle destroyer of the human spirit.' And we must escape the spider's web of dependency. Tonight I am charging the White House Domestic Council to present me by December 1, 1986, an evaluation of programs and a strategy for immediate action to meet the financial, educational, social, and safety concerns of poor families. I am talking about real and lasting emancipation, because the success of welfare should be judged by how many of its recipients become independent of welfare."(1)

In response to the President's charge, the White House Domestic Policy Council's Low-Income Opportunity Working Group has for the past year made an extensive study of welfare and poverty in this country. This report is the outcome. Along with its four supplemental volumes,(2) the report assesses the welfare system and its successes and failures, describes the frustrations felt by America's poor, and proposes a basic change in public assistance policy.

The Working Group, made up of members of the federal agencies and departments that manage public assistance and led by the White House Office of Policy Development, took a fresh approach from the start. We did not confine ourselves to Washington, D.C., to the think-tanks and scholars, though of course we consulted them. We did not confine ourselves only to the resources of the federal government and of this Administration.

Instead, we went first and foremost to the grassroots, to welfare recipients, ex-recipients, and workers who know the system best because they have had to live with it every day. We held public hearings in seven major cities, from July through September.(3) We convened 22 discussion groups of former and current welfare recipients from across America.(4) We consulted a cross-section of America's poor, from steel workers recently laid off to the long-term unemployed, from inner-city unmarried

mothers to bankrupt farmers and small businessmen in rural communities, from illiterate teenagers to isolated senior citizens.

We spoke with low income groups of black men and white men, black women and white women, Vietnam refugees, native Americans, Hispanic-Americans, and the disabled. We spoke with many who felt they were trapped by the system, but we also spoke with many former welfare recipients who had acted together to make the system work better in their own communities. Indeed, the Working Group gathered data on close to 400 self-help anti-poverty projects throughout America -- projects that were developed with little or no help from the current welfare system.

We did not ignore, either, the tens of thousands of Americans who debate and deliver public assistance. The Working Group spoke with welfare workers throughout the country, along with numerous local political leaders. We also discussed poverty and the welfare system with nearly half the nation's governors. Finally, we drew upon the work of two other Domestic Policy Council groups: the Working Group on Federalism and the Working Group on the Family. Both have recently issued reports that focus attention on government attempts to solve the problem of poverty in America.(5)

What our investigation uncovered is both dismaying and a cause for hope. What is dismaying is the frustration felt by so many about how America's welfare system fails the people it is designed to serve. What offers cause for hope is the way in which so many states, communities, and families are taking the initiative to change this system.

America's state and federal governments spend more than $150 billion a year on programs to alleviate poverty, yet poverty continues to be a problem. The acceleration in federal spending that began with the War on Poverty and expanded through 1976 surely helped many escape destitution, but it has just as surely failed to lift them from a life of dependency. In our inner cities, journalists now describe an "underclass" inured to poverty and welfare.(6) In our schools, crime and drugs rob many young people of any chance to learn basic skills. And in our families, the rise in the number of welfare-dependent single-parent households foretells long-term dependency for mothers and children alike. Despite four years of economic expansion and an increase in employment of over eight million since 1982, too many Americans still fail to climb onto and up the ladder of opportunity that leads to self-reliance and self-respect.(7)

The Working Group did not attempt to explain or solve all of America's troubling social problems. Powerful economic, cultural, and legal forces are constantly at work in our society, and many were beyond the scope of the Working Group's charge. Our mandate from the President was to study the welfare system

and to propose a strategy to change that system so that it better serves the poor and the society.

Within that mandate, however, the Working Group has concluded that weaknesses within our centralized welfare system contribute significantly to the persistence of poverty in America. The system is composed of numerous and expensive programs, yet those programs have failed to lift many Americans out of poverty. The system should be compassionate, yet among recipients it inspires confusion and anger. The system makes a special attempt to aid children, yet it provides little or no incentive for mothers and fathers to form and maintain self-reliant families. The system should encourage people to be self-sufficient, yet its incentives inspire passivity and undermine the desire to work. Moreover, the system "parachutes" assistance to individuals from faraway state and federal capitals with scant regard for community standards and conditions. The system's numerous and often conflicting rules and programs both frustrate welfare workers and demoralize the poor. Complicating things further, attempts at welfare "reform" have failed to treat this system as a system and have instead tinkered simply with one or a few programs. The result is a pattern of persistent dependency that our existing welfare system cannot break; the system cushions some Americans as they attempt to escape poverty but it also sustains many others in poverty.

With these failures in mind, the Working Group proposes a sharp change in direction in national welfare policy. For 50 years, welfare policy in this country has been inspired and implemented from the top down, from federal agencies and Congressional committees in Washington, D.C., to states, communities, and then to individuals. This strategy needs to be turned on its head. The Working Group is proposing that both policy ideas and implementation be allowed to percolate from the bottom up, to the federal government from the individuals, communities, and states that have to live with these policies. The federal government should first of all do nothing to add to the confusion of the current system by introducing more changes or "reforms" until this country better knows what both relieves poverty and reduces dependency. Instead, the federal government should initiate a program of widespread, long-term experiments in welfare policy through state-sponsored and community-based demonstration projects. And Congress should seek to learn precisely what does work in welfare policy by approving legislation that would waive federal welfare rules in order to allow states and communities to experiment.

We are not suggesting that the federal role in relieving poverty cease. Far from it, both federal financing and federal enforcement of such key provisions as civil rights laws must continue. We are also not suggesting that because the fight against poverty has failed so far that we should retreat from the battlefield. Far from it, we need to change only our strategy and tactics. Americans need to understand the ways that federal

policies have failed, and their representatives need to be humble about their ability to create and administer a centralized policy that will work for 50 states, thousands of cities and communities, and millions of individuals. We need a policy that encourages experiments and tolerates new ideas. As columnist William Raspberry recently put it, we need to recognize that many good ideas come not from "...Washington, where the headlines are, but out in the country, where the action is."(8)

In our investigation this past year, the Working Group has discovered dozens of new anti-poverty ideas and experiments. Exciting things are happening. In a low income corner of Washington, D.C., residents are managing the Kenilworth-Parkside public housing project, maintaining the buildings and grounds, enforcing housing codes, starting new businesses, and delivering a range of social and economic services as a community.(9) In Atlanta, Resource Service Ministries helps provide jobs for fatherless teenagers. In Lisbon, Ohio, the private SHARE program has mobilized volunteers to help struggling families in 18 rural counties in three states. At the state level, Utah has begun a demonstration to simplify welfare rules and coordinate benefits in a way that promotes self-sufficiency. North Carolina plans to deliver several benefits as one package and require a "social contract" between recipients and case workers to guide the transition to full-time employment. And Illinois has introduced Project CHANCE, a job and training program aimed at the 120,000 female welfare recipients in that state who have children under age six. These are only a few examples of the breadth of innovation occurring across America -- innovation springing from the grassroots, not from Washington.

During the first six years of the Reagan Administration, some of these successful ideas have been implemented at the national level. Encouraged by federal legislation proposed by the Administration, 39 states now have some innovative work programs. A new voucher demonstration program began in 1983 under the Section 8 Housing Assistance Payments Program. And the historic tax reform of 1986 will remove millions of low-paid workers' families entirely from the income tax rolls.

These innovations are the exceptions, however, in large part because national "reforms" fail to address the many problems endemic to any centralized welfare system -- its welter of conflicting rules, its scant regard for local conditions and individual differences, and its failure to draw upon community resources to promote individual self-reliance and sustain any fight against poverty. A centralized reform that fails, moreover, is worse than no reform at all because it squanders an opportunity, needlessly alters the lives of millions of people, and may cost billions of dollars. Meanwhile, this national policy stalemate continues to leave millions mired in dependency and fails to provide a new generation of children with the pride and skills of self-responsibility that would make them productive adults.

The Working Group believes that the only answer is to trust in our democratic principles and find solutions in our neighborhoods, in our communities, and in our states. We know the ideas are there: Americans are a creative people. We know the will is there because the principles of self-reliance, family unity, and community initiative run deep in our traditions, among rich and poor alike. We know the energy is there because we have seen diverse communities throughout the country working to improve their lot. By trusting only in national solutions, we have failed both the nation and the poor. By trusting individual Americans and their communities, we can and will do better.

Based upon our year-long study, the Working Group makes the five following recommendations:

- The welfare system is a system, and we must treat it as such;
- We should neither propose nor support more "national" welfare reforms unless locally-tested, with evidence of reduced dependency;
- We should adopt reform goals which comprehensively define federal requirements for reform, allow maximum flexibility for state- and community-based reform efforts, and retain the current federal-state financing commitments;
- We should initiate a program of widespread, long-term experimentation in the restructuring of public assistance through community-based and state-sponsored demonstration projects; and
- We should propose legislation to implement the experimental program and assure that its useful results are gradually incorporated in the national public assistance system.

The remainder of this report discusses the Working Group's findings, the potential for reform, and the proposal for a new national welfare strategy. Section II describes the features and failures of the current system. Section III analyzes the weaknesses of a centralized welfare system and describes the potential for reform already evident in our states and communities. Section IV presents the new strategy and proposes explicit policy goals to serve as the framework for any welfare program aimed at lifting people up from dependency.

Section II

POVERTY AND WELFARE

"...Free enterprise has done more to reduce poverty than all the government programs..."(10)

Ronald Reagan

Poverty in America

Any analysis of poverty in America should begin with the fact that America is a prosperous nation. The overwhelming majority of Americans are not poor, most Americans live in comfort and abundance, and most of the world can still only aspire to our standard of living. This prosperity, moreover, is no accident of history. America is rich because it is free. America has grown prosperous because individual Americans have the freedom and opportunity to develop their own human potential.

Remembering America's abundance helps put poverty in perspective. America is now into the fifth year of its longest economic expansion since the 1950s. America's private economy has created millions of new jobs since 1982 and now employs 60.1 percent of the adult population -- the highest level in our history.(11) The historic tax reform of 1986 will propel the expansion further and eliminate the federal income tax burden for millions of the poor. Economic growth is, and always will be, the best anti-poverty program.

Yet we also know that not everyone is sharing in this economic progress, just as we know that the War on Poverty did not lift everyone out of poverty. Poverty and dependency remain real problems in America. And while the exact prescription for reducing poverty remains the source of much debate, there has always been public consensus on at least two central points.

- As a prosperous people we have a moral obligation to see that resources to meet such basic needs as food, shelter, and medical care are available to everyone. Americans are generous; they do not want anyone to go hungry, homeless, or sick.

- Americans believe that those who can provide for themselves should. Americans, rich and poor, prefer self-reliance to dependency.

Defining and Measuring Poverty

> "Everybody now agrees you can't talk about 'the poor' and 'the war on poverty' -- the image was much too simple. We must disaggregate them. There are different kinds of folks who are poor for very different kinds of reasons."(12)
>
> Michael Novak

One of the most important things to understand about the poor is that they cannot be stereotyped. No two poor individuals or families face the same circumstances or have exactly the same needs. To measure poverty by an average income level or national rate, therefore, is to create a standard that fails to describe real people or families. The struggling farmer in North Dakota has different problems than the unemployed teenager in Brooklyn, and the laid-off textile worker and his family in North Carolina have different income needs than the single mother of three in Detroit.

Nonetheless, for more than 20 years poverty has been measured by a single, and therefore misleading national standard. This measurement was first made in 1964. It was based on a 1955 national Household Food Consumption Survey that determined that the average American family spent about one-third of its income on food. From this base, the federal government calculated how much income a family would require to meet all of its basic needs. The result is what we now call the "poverty level" or "poverty threshold." It is adjusted to reflect family size, age, and price level changes. In 1985, a family of four receiving less than $10,990 in income was counted as poor.

The U.S. Census Bureau uses these poverty thresholds to determine the "poverty rate": the percentage of persons with incomes below the official poverty level. From 1959, the first year in the official poverty rate series, poverty fell sharply through 1969, but then stayed more or less stable through 1978. From 1978 through 1981, the poverty rate increased about 22 percent, to 14 percent of the population. The biggest one year increase in measured poverty occurred from 1979 to 1980 - a 12 percent increase. The general poverty rate reached 15.2 percent in 1983, and has declined since.(13)

As accurate measures of how many Americans really are poor, the official poverty statistics have major limitations that, on balance, tend to overstate the incidence of such poverty.(14)

- Official poverty statistics do not include all income received by poor individuals and families. In particular, they exclude non-cash government benefits such as Food Stamps, Medicaid, Medicare, and housing subsidies. This was not a serious omission when the poverty thresholds were created in 1964 as most government programs were in the form of cash. In the

past 20 years, however, non-cash benefits have multiplied. For welfare, they now account for some 76 percent of the value of all benefits (compared to 35 percent in 1964), amounting to annual expenditures of $99.8 billion for low income Americans.(15)

- Poor families require different incomes to provide the same level of subsistence depending on where and how they live. Families residing in urban areas face much higher costs than do comparable families in rural areas. Further, costs vary with the region of the country. Manhattan is more expensive than Atlanta.

- Assets are not counted, therefore someone who is unemployed for a year but still owns a home and has a large savings account will be counted among the poor.

- Census surveys of income rely on voluntary responses. People may understate their incomes, especially if they suspect their responses can be used for other purposes (such as taxes). In fact, the Bureau of the Census has estimated that only 90 percent of all income, and even less of welfare income, is reported on its surveys.(16)

While official statistics may overstate poverty, it is still clear that poverty in America remains a problem. Whatever the poverty rate, thinking about people who happen to be poor only as statistics hardly helps us understand poverty any better. To do that we need to think in human terms -- about those individual Americans who remain poor despite a buoyant economy and despite a massive government effort to help. And to understand those Americans we need to understand how America's welfare system has delivered help for 50 years.

The Welfare System

We suspect that if most Americans were asked to describe welfare, few would have an adequate answer. Some of the better informed might mention a specific program or two, such as Medicaid or Food Stamps, but few would know very much about how those programs work, how much they spend, or even who receives their benefits.

The puzzlement would be understandable, because America's public assistance system is both vast and complex, a labyrinth of 59 major federal welfare programs on which federal and state governments spent more than $132 billion in fiscal year 1985.(17) Forty other federal low income assistance programs brought total spending, including loans, to over $150 billion.(18) Adding state spending on similar programs which do not receive federal matching funds increased the grand total to over $160 billion.(19)

There are more than 100 low income assistance programs listed in Table 1. The 59 major federal welfare programs are the main focus of this report. These 59 comprise a centralized welfare system that is inscribed in more than 6,000 pages of federal laws and regulations, overseen by a score of Congressional committees, managed by eight major federal departments, through numerous agencies in the 50 states and territories, through hundreds of thousands of welfare workers. The Census Bureau estimates that more than 52 million Americans -- nearly 20 percent of the population -- benefit from some welfare program during a single year.(20)

How the System Grew

America's way of helping the poor was not always so elaborate or centralized. Only a few decades ago the federal government played only a small role in providing public assistance. Self-reliance was assumed and families cared for their own, as most families still do today. Help for the needy came from religious groups, from charities, and from the other small but numerous voluntary groups that French social observer Alexis de Tocqueville so marveled at when he visited America in the 1830s. State and local governments provided some help in emergencies, but federal aid was very rare.

The Depression of the 1930s changed all that. The federal government became heavily involved through the Social Security Act of 1935, which contained the first major federal public assistance provisions. In addition to the social insurance programs for the elderly and unemployed, the Act initiated the joint federal-state programs of Old Age Assistance, Aid to the Blind, and Aid to Dependent Children. These programs retained their conceptual link to the ideal of self-reliance by only directing aid to those who could not be expected to provide for themselves -- the aged, the disabled, and children deprived of the support of a parent.

Federal welfare was expanded dramatically in the 1960s, with the advent of the War on Poverty. The Economic Opportunity Act of 1964, the centerpiece of that, introduced an array of new public programs -- education, training, and service -- designed to attack the root causes of poverty. Later, more programs -- notably Medicaid, Food Stamps, and Section 8 Housing Assistance Payments -- expanded assistance further. Virtually anyone with limited income could qualify for at least some public assistance.(21)

The War on Poverty also produced an important shift in the public perception of welfare. What had been seen as public aid began to be viewed as public entitlement. And while the programs still invoked self-reliance as an ideal, they introduced rules that undermined it in practice. Millions more Americans became eligible for welfare, and spending soared, from $21 billion (in

TABLE 1

LOW INCOME ASSISTANCE PROGRAMS

		FY 1985 FEDERAL AND REQUIRED STATE SPENDING (IN MILLIONS)
59 MAJOR FEDERAL PUBLIC ASSISTANCE PROGRAMS		$132,177
CASH PROGRAMS		$32,335
Aid to Families with Dependent Children	$14,758	
Supplemental Security Income	10,889	
Pensions for War-time Veterans	3,842	
Earned Income Tax Credit	1,100	
Foster Care	929	
Refugee Resettlement Program	436	
Emergency Assistance to Needy Families	154	
Veterans Parent's Compensation (DIC)	89	
Adoption Assistance	71	
Indian General Assistance	67	
FOOD PROGRAMS		$20,407
Food Stamps	$12,533	
National School Lunch Program	3,391	
Special Supplemental Feeding Program for Women, Infants and Children	1,495	
Temporary Emergency Food Assistance Program	973	
Nutrition Assistance Program for Puerto Rico	825	
Child Care Food Program	418	
School Breakfast Program	391	
Food Donations to Charitable Institutions	172	
Summer Food Service Program for Children	110	
Commodity Supplemental Food Program	43	
Needy Family Program	42	
Special Milk Program	16	
HOUSING PROGRAMS		$13,707
Housing Assistance Payments (Section 8 and Rent Supplements)	$6,884	
Public and Indian Housing	3,409	
Low Income Home Energy Assistance Program	2,139	
Interest Reduction Program (Section 236)	619	
Homeownership Assistance Program (Section 235)	268	
Weatherization Assistance	192	
Rural Rental Assistance Program (Section 521)	105	

HEALTH PROGRAMS		$48,632
Medicaid	$41,216	
Veterans Health Care (non service-connected)	5,393	
Indian Health Service	813	
Maternal and Child Health Services Block Grant	783	
Community Health Centers	383	
Migrant Health Centers	44	
SERVICE PROGRAMS		$4,890
Social Services Block Grant	$2,725	
Head Start	1,344	
Community Services Block Grant	366	
Legal Aid (Legal Services Corporation)	313	
Family Planning Services	143	
EMPLOYMENT PROGRAMS		$3,952
Training Services for the Disadvantaged (JTPA II-A)	$1,710	
Summer Youth Employment Program (JTPA II-B)	776	
Job Corps (JTPA IV)	593	
Senior Community Service Employment Program (Older Americans Act)	356	
Work Incentive Program and Demonstrations	310	
Native American Employment and Training Program (JTPA IV)	65	
Seasonal Farmworkers Program (JTPA IV)	63	
Foster Grandparent Program	56	
Senior Companion Program	23	
EDUCATION PROGRAMS		$8,254
Pell Grants	$3,788	
Grants to Local Education Agencies - Educationally Deprived Children	3,200	
College Work-Study	554	
Supplemental Education Opportunity Grants	396	
State Student Incentive Grants	152	
Upward Bound	74	
Special Services for Disadvantaged Students	70	
Talent Search	21	

OTHER LOW INCOME GRANT PROGRAMS	$8,438
Community Development Block Grants	$3,817
Vocational Rehabilitation Services	1,366
Vocational Education Grants to States	692
Child Support Enforcement	572
Urban Development Action Grants	497
Title III - Nutrition Program (Older Americans Act)	400
Title III - Supportive Services (Older Americans Act)	265
Migrant Education Program	257
Public Works and Economic Development Facilities	150
Higher Education Aid for Institutional Development	148
Consumer and Homemaker Education	32
Higher Education Grants for Indians	27
Cuban and Haitian Resettlement	26
Health Careers Opportunity Program	24
Adolescent Family Life Demonstration	21
VISTA	17
Indian Social Services	15
Employment Services and Job Training	15
Rental Housing Rehabilitation	14
Rural Self-help Technical Assistance	13
Rural Housing Grants	13
Adult Programs (OAA, AB, APTD)	13
Graduate and Professional Fellowships	12
Title VI Grants to Tribes for Supportive & Nutritional Services	8
Follow Through	7
EFN Scholarships	7
Migrant High School Equivalency Program	6
Black Lung Clinics	3
College Assistance Migrant Program	1
Federal Employment for Disadvantaged Youth - Part Time	-
Federal Employment for Disadvantaged Youth - Summer	-

LOW INCOME LOAN PROGRAMS	$12,059
Guaranteed Student Loans	$7,900
Very Low and Low Income Housing Loans	2,300
Rural Rental Housing Loans	900
Rural Housing Site Loans	218
Mortgage Insurance-Homes for Low and Moderate Income Families	213
National Defense/Direct Student Loans	192
Loans for Small Businesses	116
Community Facilities Loans	115
Section 312 Rehabilitation Loan Program	75
Farm Labor Housing Loans and Grants	20
Rural Development Loan Fund	10

constant 1985 dollars) in 1960 to $62.2 billion a decade later, $121.8 billion in 1976, and $132.2 billion in 1985.

A revolution also occurred in the nature of public assistance: cash benefits began to be replaced by food, medical care, housing, and other non-cash benefits. In 1960, three-quarters of all welfare came in the form of cash; by 1985 only 24 percent did. This shift to non-cash welfare is important for two reasons.

- Non-cash benefits diminish personal choice and self-responsibility among welfare recipients. A welfare recipient can spend cash to meet his needs as he sees them, but with non-cash benefits he becomes more dependent on the rules and decisions of others.

- Because non-cash benefits are not counted as income in the measurement of official poverty rates, they cause poverty to be overstated.

Figure 1 shows the growth in federal and required state spending on major federal welfare programs since 1960, including the breakdown for cash and non-cash benefits. The entire system grew by 525 percent, in dollars adjusted for inflation, from 1960 to 1985. Overall, cash assistance grew 105 percent in real terms, while non-cash benefits soared by 1,760 percent. This welfare spending explosion continued through 1976, then stabilized, and has continued to rise more slowly to the present time. While outlays for some individual programs have fallen since 1980 in inflation-adjusted dollars, the real growth in total benefits has continued. Spending has grown, in real terms, by 7.6 percent a year since 1960 and one percent per year since 1981. Welfare spending has increased in constant dollars from $127 billion in 1981 to $132.2 billion in 1985.

What the Programs Provide

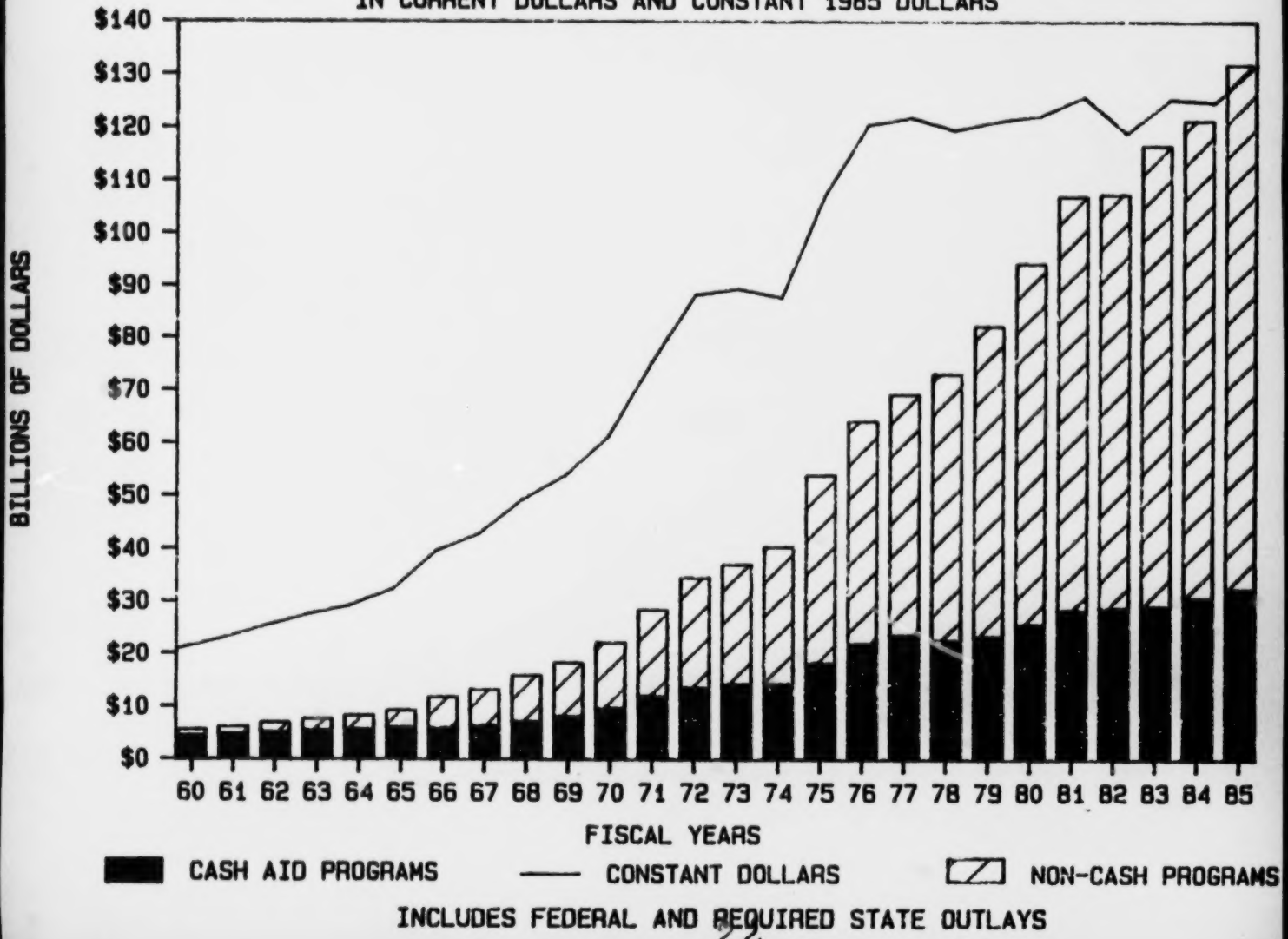
Cash. Of the 59 main federal welfare programs, 10 provide cash assistance totalling $32.3 billion. The largest of these programs, at $14.8 billion, is Aid to Families with Dependent Children (AFDC), which pays monthly benefits to nearly four million families on behalf of children deprived of parental support because of death, incapacity, continued absence, or, at state option, the unemployment of the family's principal wage earner. The second largest cash assistance program is Supplemental Security Income (SSI) which provides $10.9 billion to four million aged, blind, or disabled people. Other cash programs provide benefits to groups such as needy war-time veterans, refugees, and native Americans.

Medical Care. Six health programs spend $48.6 billion, with Medicaid the largest at $41.2 billion. Medicaid pays for medical care for SSI and AFDC recipients and for certain other low income

FIGURE 1

TOTAL SPENDING FOR PUBLIC ASSISTANCE

IN CURRENT DOLLARS AND CONSTANT 1985 DOLLARS



INCLUDES FEDERAL AND REQUIRED STATE OUTLAYS

persons. Medicaid, the fastest growing welfare program, now spends more than AFDC, SSI, and Food Stamps combined; a large and growing portion of its spending is devoted to nursing home and other long-term care. Five other health programs provide care directly through government-run hospitals, nursing homes, or clinics. The services are aimed at specific groups such as needy war-time veterans, native Americans, or migrants, or they serve areas thought to be underserved by private providers.

Food. Twelve programs spending $20.4 billion offer food assistance, with Food Stamps being the largest at $12.5 billion a year, providing benefits to 20 million persons each month. Other programs provide food to children, pregnant women and new mothers, infants, and the elderly. The largest of these is the School Lunch Program, which spends $3.4 billion a year, 80 percent of which is to provide 1.9 billion free or reduced price meals to about 11.5 million school children from low income families.

Housing. Nine programs spend $13.7 billion a year for housing assistance. Several, mainly Public Housing and Section 8 Housing Assistance Payments, subsidize rents for low income households. Overall, they provide benefits to more than four million households.

The remainder of the 59 major welfare programs that each spend more than $20 million a year provide a variety of services. In total, service programs, such as Legal Services and Head Start, spend $4.9 billion a year. Nine job and job-training programs spend $4.0 billion, and eight education programs spend $8.3 billion.

System Complexity

Thinking about these programs as separate entities, however, does not help us understand how they work in the real world. In that world, and especially from the viewpoint of the welfare recipient, all of these programs combine to operate as a single complex and bewildering system. Even though each program was designed to meet some specific need, together they interact to produce a system of conflicting rules and benefits.

Oversight Complexity. The system's complexity begins in Washington, D.C., with the Congressional committees which authorize the programs. Nine separate committees in both the House and the Senate authorize spending for the 59 major programs. Certain committees oversee a particular kind of aid, as the agriculture committees do for food; others serve special groups, such as the Select Committee on Indian Affairs. Typically, many committees authorize programs for the same purposes. For example, seven committees in the House and seven in the Senate authorize cash or other assistance to pay for low income housing.(22) The same tangle of oversight affects the cash, food, health, and other types of welfare programs.

Administrative Complexity. This tangle in oversight is mirrored in federal administration. The Department of Housing and Urban Development, for example, administers only four of the nine programs that provide non-cash housing assistance. Four other departments and one independent agency administer the other programs.(23)

Who is Eligible? To determine eligibility, seven of the 59 major programs use 100 percent of the poverty guidelines, while 20 programs set limits at some multiple of those guidelines such as 130 percent or 185 percent.(24) Other programs use the median income of a state or county, a state-determined eligibility level, or some other measure. While none of these income measures is without flaws, and there is probably no one best measure for all programs, the variety of income eligibility levels makes it more difficult to target to meet real needs.

And What is Income, Anyway? The various programs do not agree on how to count income when determining who needs help and how much. As a general rule, programs with large monthly benefits -- including AFDC, SSI, Medicaid, and Food Stamps -- have detailed rules about what must be counted as income. Recipients must document their income and report income changes to the welfare agency. The smaller programs tend to have less exacting income standards and require less documentation.

Much of the variety and potential for confusion relates to so-called income exclusions -- that is, income that does not need to be counted as official "income" for the purpose of a welfare application. Some income may be excluded to encourage recipients to seek and keep employment. Some may be excluded because it is not considered available for basic needs (such as unusual medical expenses). Some, and in significant amounts, must be excluded because of other federal laws, such as laws which do not allow non-cash welfare benefits to be counted as income by other welfare programs.

In sum, any welfare recipient who wants to receive benefits from several programs must meet a multitude of confusing and seemingly arbitrary income standards.

The Working Group's first recommendation is that the welfare system is a system, and we must treat it as such.

The Impact on People

> "Just as society has a moral obligation to help its most needy citizens, those citizens who benefit from public assistance have an obligation to society. Yet in the last decade and a half, the connection between welfare benefits and recipient responsibility has been obscured... Regrettably, the Great Society's original emphasis on self-help and community action has given way to a large and paternalistic welfare bureaucracy which sees recipients as helpless victims rather than as citizens in need of help."(25)
>
> Charles Robb

Bureaucratic rules were created to ensure that welfare flows only to those society considers truly needy. Yet an inspection of how the rules work in practice reveals a system that is so complicated it often undermines that goal. Time after time, workers and recipients described to us a system that has become both impersonal and demoralizing, and that fails to respond to the needs of its recipients.

Workers complain about the hundreds of rules that are difficult to interpret and require mountains of documentation. A California eligibility worker described how federal and state rules sometimes conflict: "State and federal regulations are implemented and later overturned due to class action suits. These impact on the workers who must pull each case manually and make changes back again to undo the changes they made when the regulation was implemented."(26) Others describe a "paper jungle" that, in only a single program in a single state, requires at least "...nine forms to process an address change; at least six forms to add or delete a member of the household; and a minimum of six forms to report a change in earnings or employment."(27) One worker in Washington reported that her caseload included a woman with four children who had moved off and on welfare for 15 years. "The 'record' had filled seven volumes, six of which were two inches thick and the total stack of files weighed 21 pounds."(28)

Recipients say the rules and reporting demands strip them of dignity and stigmatize them as lazy and dishonest. A disabled recipient in Boston called the process of applying for welfare "an emotional and psychological strip-tease."(29) Rigid standards, many recipients say, impose rules that limit the ability of welfare workers to handle individual cases with any flexibility, or to adapt to local conditions. One recipient may need more education benefits but fewer Food Stamps, for example, yet the law stipulates exactly how much of each will be offered. The various rules, they add, assume a willingness to be dependent and make insufficient allowance for someone who might want to work hard to regain self-sufficiency. "You go into (the welfare office and) you're surrendering sovereignty," one recipient told

the Working Group. "You're surrendering control of your life and making yourself dependent."(30)

The Effects of Welfare on Poverty

How much, then, does this expensive and complex system really reduce poverty? This question cannot be answered precisely, in large part due to the system's very breadth and complexity. We do know, however, that welfare will provide at least some degree of material security for virtually every American in need. No one need go hungry in this country, so long as he is willing and able to negotiate the corridors of the welfare system. But we also know that poverty continues to exist, despite vigorous economic growth and federal and state spending in excess of $150 billion a year.

The impact of welfare spending on poverty rates is illustrated by a major new source of information. For this report, the Census Bureau's Survey of Income and Program Participation (SIPP) combined a year's worth of monthly data into a longitudinal research file. In addition, market values of non-cash benefits were estimated for SIPP households.(31) What an analysis of SIPP data tells us about welfare and poverty is striking.(32)

Table 2 lists the poverty rates for different population groups before any welfare is counted. This pre-welfare poverty rate, includes the value of Medicare, a social insurance program. For all individuals the rate is 12.8 percent, and for families 10.5 percent. Table 3 adjusts these rates for the value of both cash and non-cash welfare benefits. The poverty rates fall sharply for all categories. For all persons, the rate drops by almost half to 7.4 percent, and for families to 8.2 percent. This pattern also holds true for subgroups such as the elderly and female-headed households. Clearly, public assistance does raise millions of Americans above the poverty level, even as it still leaves millions below. Of the 29.1 million with pre-welfare incomes below poverty, 12.2 million are lifted out of poverty by cash and non-cash public assistance.

Welfare and the "Poverty Gap"

A better way of measuring welfare's impact is to look at the "poverty gap." This is the amount of money it would take to raise the income of everyone up to the poverty level. The pre-welfare poverty gap for the period covered by SIPP was $51.6 billion. In other words, if public assistance were distributed with perfect efficiency, $51.6 billion would have left no one below the poverty level.

TABLE 2: FAMILIES AND PERSONS BELOW POVERTY AFTER COUNTING ANNUAL PRE-WELFARE INCOME

	Total (Thousands)	Count Below Poverty Thresholds	Percent Below Poverty Thresholds
FAMILIES AND UNRELATED INDIVIDUALS			
Total Families & UIs	90838	11680	12.9%
Total Families	63223	6670	10.5%
Families With:			
Female Headed w/Children	6766	3233	47.8%
Householder 65 or Older	9411	400	4.3%
Families & UIs Receiving:			
Non-SSI Cash Welfare	4978	3868	77.7%
Food Stamps	8790	6277	71.4%
Public Housing	3812	1784	46.8%
SSI	3262	1851	56.7%
Medicaid	9524	5786	60.8%
Any Means Tested	17711	7993	45.1%
No Means Tested	73127	3687	5.0%
PERSONS			
Total Persons	227373	29099	12.8%
Persons in Families	199759	24089	12.1%
Persons in Families With:			
Female Headed w/Children	21515	10889	50.6%
Householder 65 or Older	22277	1273	5.7%
Unrelated Individuals	27614	5010	18.1%
Male 65 or Older	1974	118	6.0%
Female 65 or Older	6901	993	14.4%

(Source: 1983-4 SIPP Longitudinal Research File)

TABLE 3: FAMILIES AND PERSONS BELOW POVERTY AFTER COUNTING ANNUAL INCOME FROM ALL SOURCES

	Total (Thousands)	Count Below Poverty Thresholds	Percent Below Poverty Thresholds
FAMILIES AND UNRELATED INDIVIDUALS			
Total Families & UIs	90838	7441	8.2%
Total Families	63223	3738	5.9%
Families With:			
Female Headed w/Children	6766	1610	23.8%
Householder 65 or Older	9411	89	0.9%
Families & UIs Receiving:			
Non-SSI Cash Welfare	4978	1596	32.1%
Food Stamps	8790	2818	32.1%
Public Housing	3812	383	10.0%
SSI	3262	211	6.5%
Medicaid	9524	2051	21.5%
Any Means Tested	17711	3754	21.2%
No Means Tested	73127	3687	5.0%
PERSONS			
Total Persons	227373	16927	7.4%
Persons in Families	199759	13224	6.6%
Persons in Families With:			
Female Headed w/Children	21515	5357	24.9%
Householder 65 or Older	22277	232	1.0%
Unrelated Individuals	27614	3703	13.4%
Male 65 or Older	1974	39	2.0%
Female 65 or Older	6901	422	6.1%

(Source: 1983-4 SIPP Longitudinal Research File)

As Figure 2 shows, however, the welfare system did not distribute its benefits efficiently. For the 1983-84 period, SIPP captured $59.2 billion in benefits from ten of the largest welfare programs (nine federal, one state).(33) Yet all that spending still left a poverty gap of $19.1 billion. Clearly, much welfare spending either went to people with pre-welfare incomes above the official poverty level, or lifted those who started with incomes below that level some distance above it. An analysis of the SIPP data found that of the 52.5 million people who benefitted from some public assistance, some 29 million, or 55 percent, had pre-welfare incomes above the poverty level. At the same time, many individuals either chose not to collect welfare or remained below the poverty level despite welfare.

The effects of this mistargeting of benefits are also illustrated in Figure 3. The first bar on the left shows that most American families (as defined by the Census Bureau) depend upon private earnings for most of their incomes. The bar on the far right, moreover, shows that for those who receive some form of public assistance the majority of their income still comes from private sources. Indeed, as a group, those who receive at least some welfare already have private income which is on average equal to the poverty level. The middle bar in Figure 3 makes the same point about AFDC and SSI recipients. The average total income of families receiving non-SSI cash benefits (primarily AFDC) was 141 percent of the poverty level, while families with SSI benefits had average total income more than double the poverty level.(34)

Even these data, the best we have ever had, still understate the benefits received. The data from the SIPP survey include only 10 of the 59 major welfare programs, capturing only $59.2 billion of the nearly $121.6 billion spent on welfare programs in fiscal year 1984 (the period corresponding most closely to the SIPP survey).(35)

Why does welfare go to so many with incomes above the poverty level? There are several reasons.

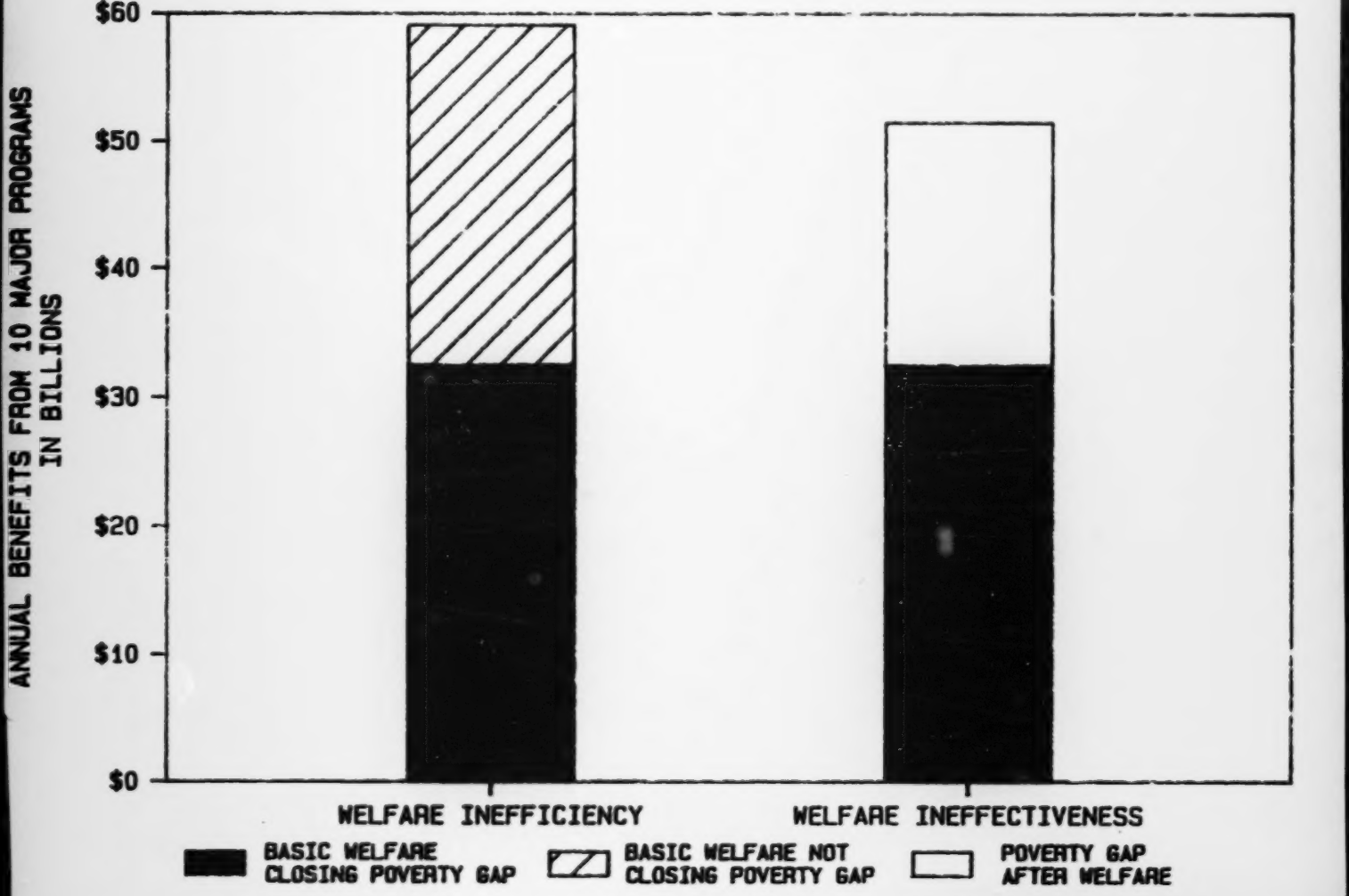
- Most welfare programs do not restrict participation to those with incomes below poverty.

- While programs such as AFDC, SSI, and Medicaid do generally limit eligibility to those with income below the official poverty level, they and other welfare programs count only cash income. A family's cash income may remain below poverty at the same time total income, including the value of non-cash benefits is above poverty.

- Welfare programs do not always count the income of other family members when they determine eligibility and benefit levels.

FIGURE 2

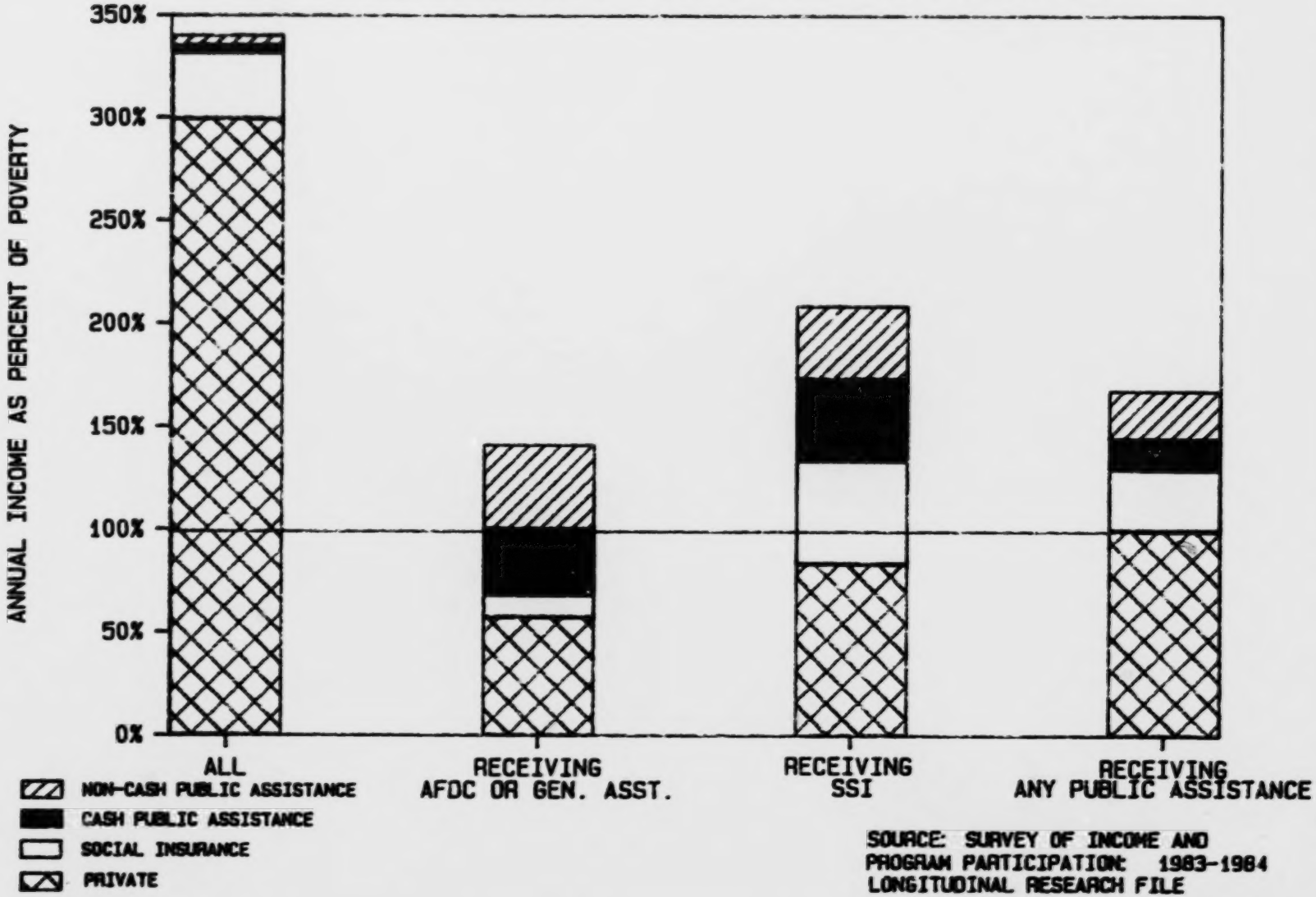
WELFARE INEFFICIENCY AND INEFFECTIVENESS



SOURCE: SURVEY OF INCOME AND PROGRAM PARTICIPATION: 1983-1984 LONGITUDINAL RESEARCH FILE

FIGURE 3

INCOME SOURCES
OF FAMILIES AND UNRELATED INDIVIDUALS



SOURCE: SURVEY OF INCOME AND PROGRAM PARTICIPATION: 1983-1984 LONGITUDINAL RESEARCH FILE

Welfare and Work

Americans prize self-reliance, and from the very beginning federal public assistance programs have stressed the importance of work that leads to financial independence. Unfortunately, the evidence shows that far from succeeding in moving recipients off welfare and into self-sufficiency, our welfare programs are laced with incentives which encourage long-term dependency.

The lessons of the current system are clear enough: welfare offers more usable income than many entry-level jobs. Figure 4 shows a benefit package available in 1984 to a three-person welfare family in a state with relatively high AFDC benefits.(36) Welfare provides benefits worth about $14,000 annually, or 67 percent above the federal poverty level for that family. To enjoy the same standard of living without welfare, this family would have to earn at least $18,000 a year.(37)

Welfare rules also create uncertainty. Recipients who take jobs know their benefits will be reduced, but they rarely know in advance by how much and when. Some assistance programs reduce benefits $1 for $1 of gross earnings, others offset only a fraction of the earned $1, and others disregard it entirely or cause a family to lose its benefits altogether.

Welfare mothers who work will find that their total income is hardly affected by increased earnings. Figure 4 shows what happens when a welfare mother takes a job paying the minimum wage and receives a modest pay increase every six months. The lower, shaded area with diagonal lines, shows net private income and the upper unshaded area shows public assistance income in a high AFDC state. (The peak in January is the Earned Income Tax Credit which she receives as a one-time payment in these examples.) Together, they indicate the total income available. For this family, even earnings of $6 an hour would not raise their total income. A comparison of Figures 5 and 6 shows that the same family receiving a more limited package of benefits in a high AFDC state has approximately the same level of support as a family receiving extended benefits in a state with low AFDC payments. Only when the basic benefit package is low, as shown in Figure 7, are the benefits of employment more evident.

To provide work incentives for AFDC recipients, an "earnings disregard" was legislated in 1967. Working AFDC recipients were allowed to disregard the first $30 of their earnings plus one-third of the remainder of their earnings when the benefits were determined. The intent was to induce AFDC recipients to work, but the main effect was to increase the number of families receiving AFDC by allowing families with relatively higher incomes to remain on the welfare rolls. Research indicates that high AFDC benefit levels discourage work, and "earnings disregards" are not effective in encouraging work in the aggregate. Studies assessing AFDC reforms made in 1981, which limited the use of the "$30 and one-third disregard," supported

FIGURE 4

WORK AND EXTENDED WELFARE: HIGH AFDC STATE

(AFDC, MEDICAID, FOOD STAMPS, SECTION 8, WIC, SCHOOL MEALS)

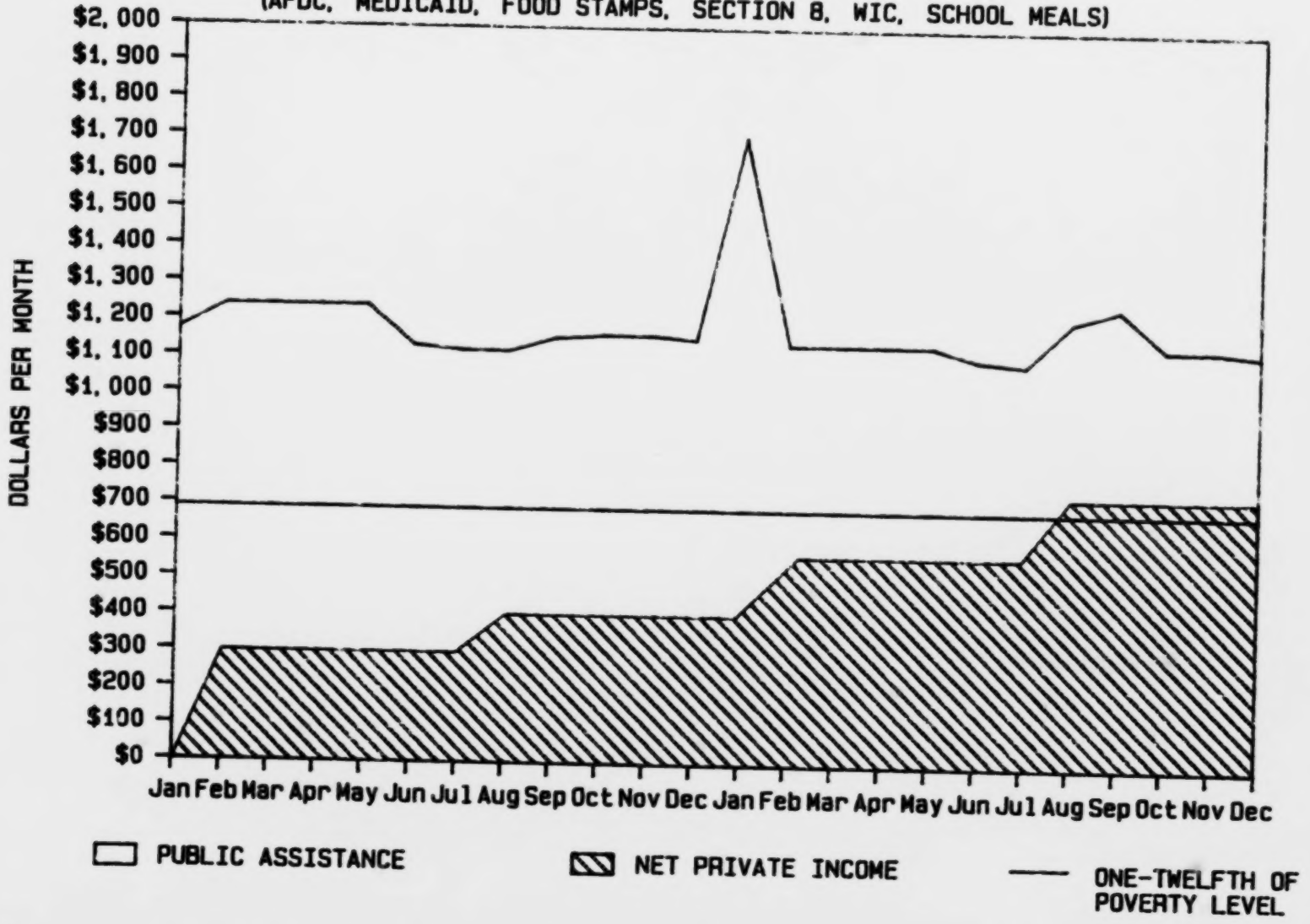


FIGURE 5

WORK AND BASIC WELFARE: HIGH AFDC STATE

(AFDC, MEDICAID, FOOD STAMPS, SCHOOL LUNCH)

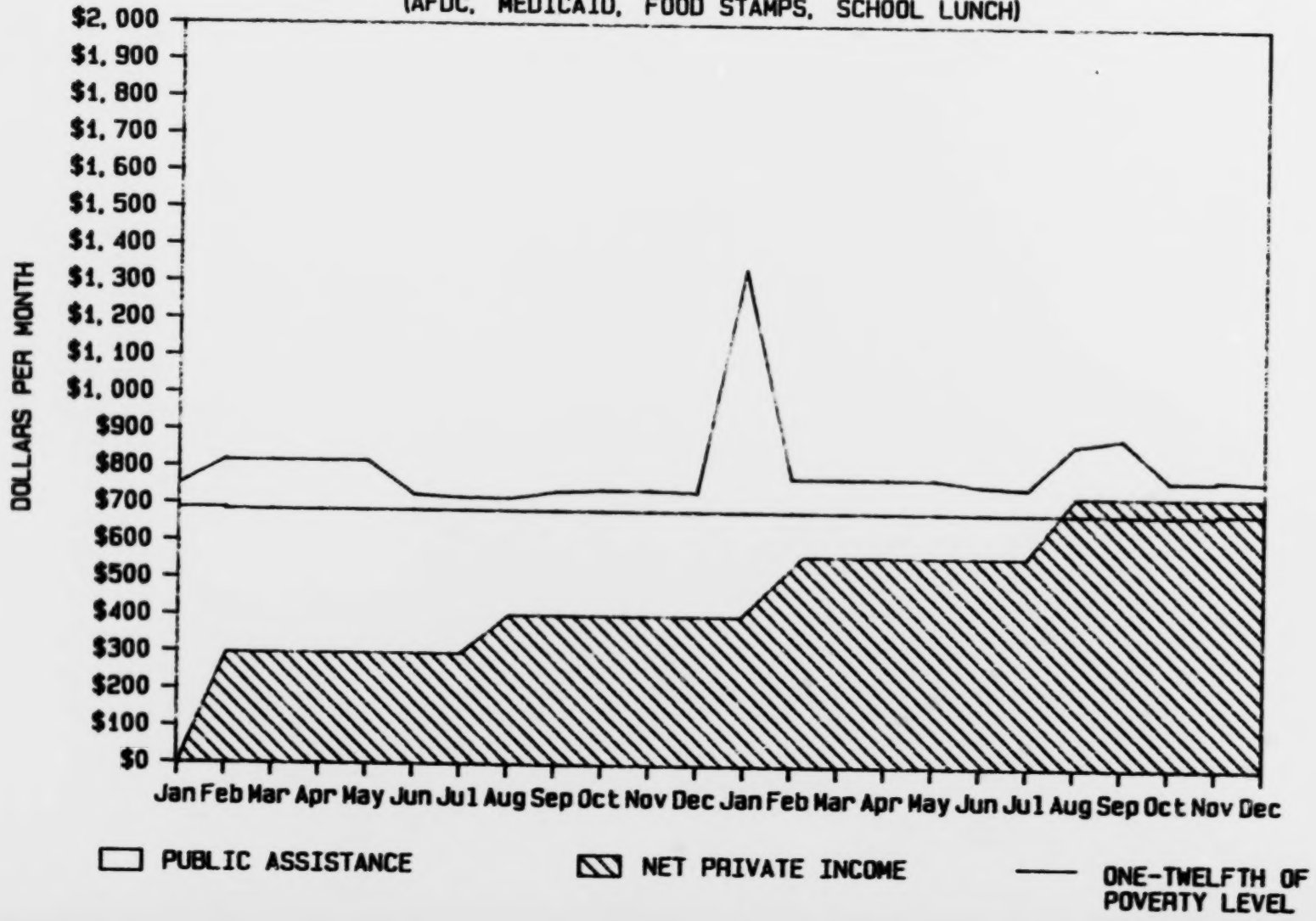


FIGURE 6

WORK AND EXTENDED WELFARE: LOW AFDC STATE

(AFDC, MEDICAID, FOOD STAMPS, SECTION 8, WIC, SCHOOL MEALS)

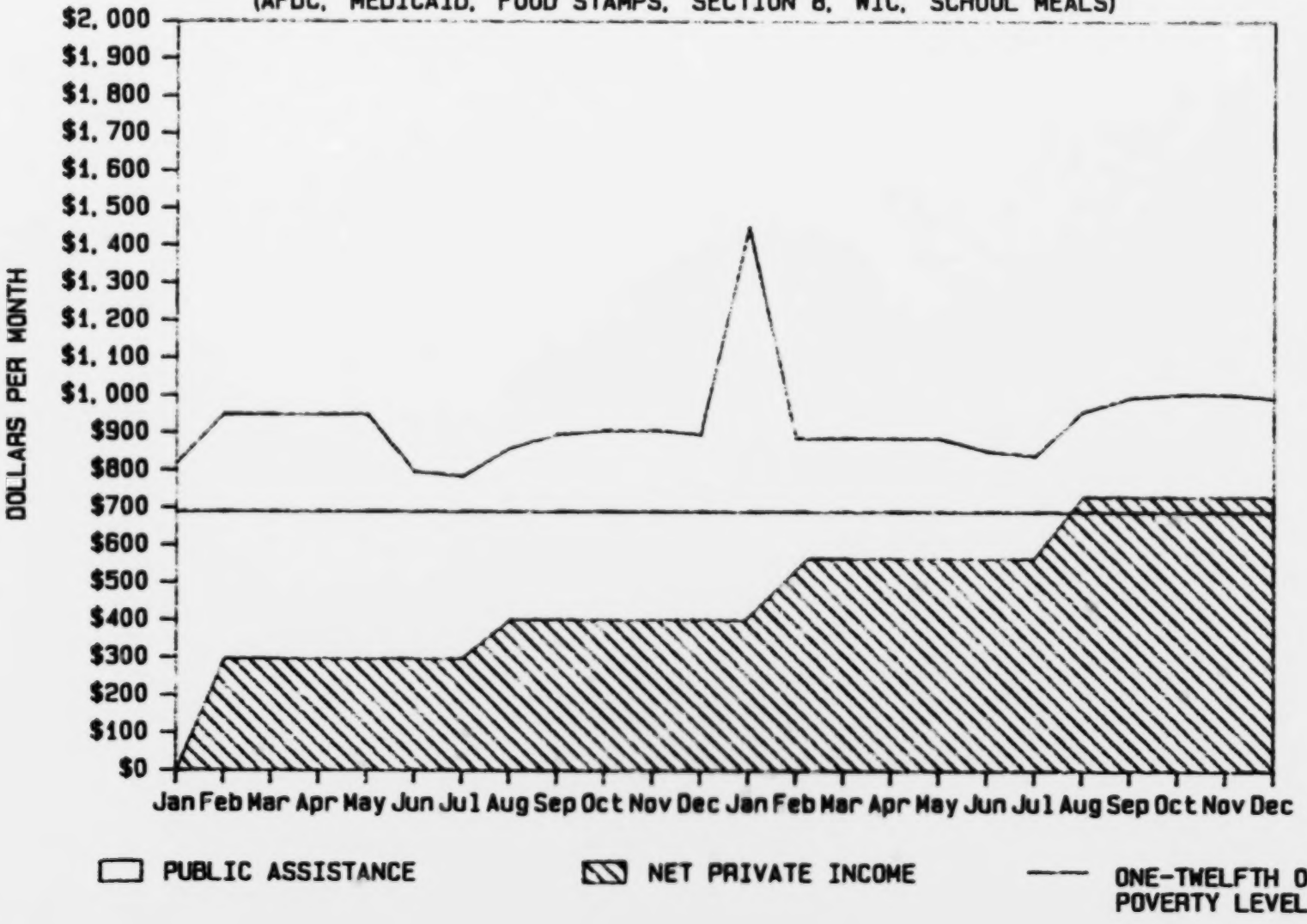
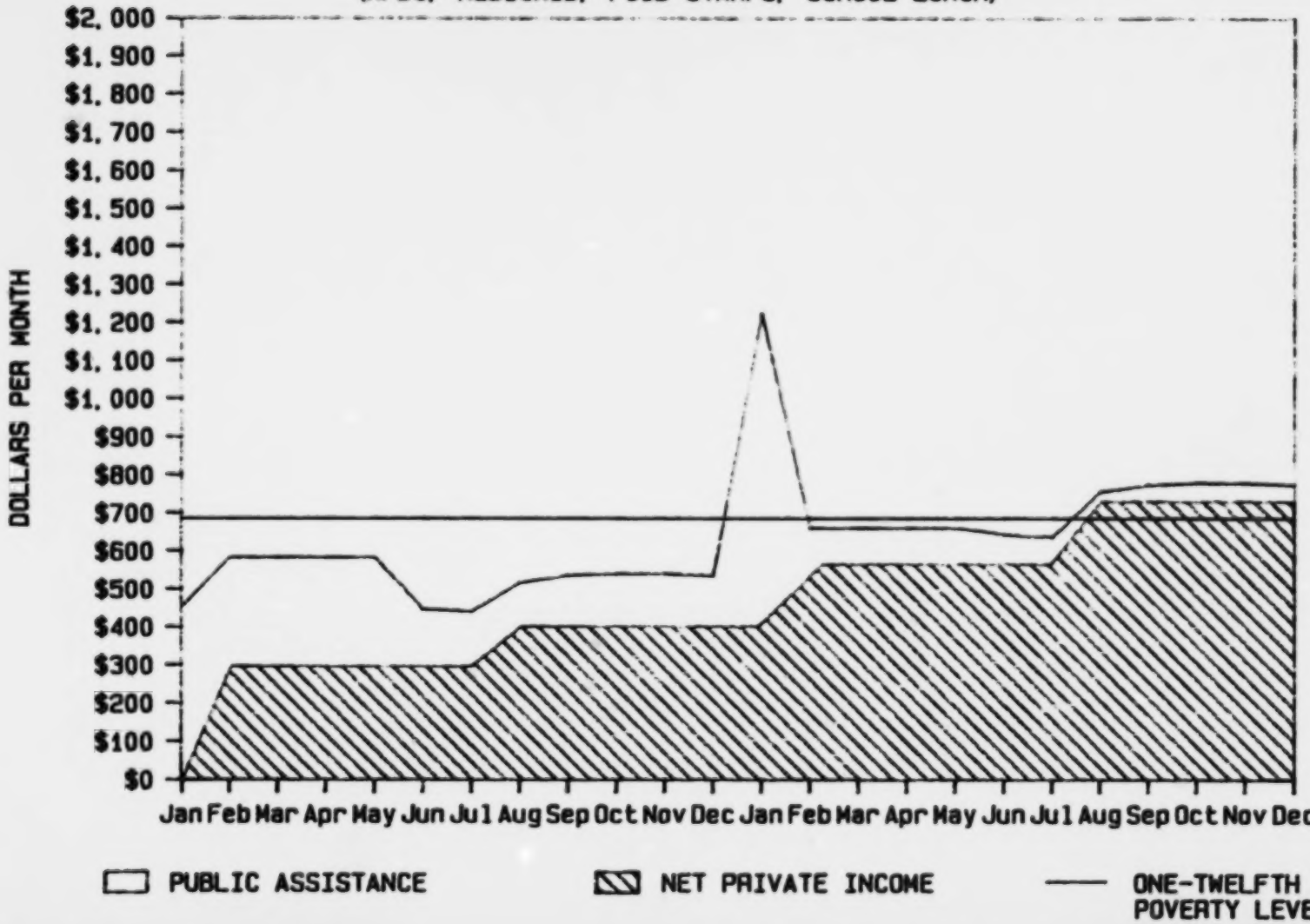


FIGURE 7

WORK AND BASIC WELFARE: LOW AFDC STATE

(AFDC, MEDICAID, FOOD STAMPS, SCHOOL LUNCH)



this view.(38)

On the other hand, work requirements have shown encouraging results. In 1981, states were allowed to expand work activities to include Work Incentive (WIN) demonstrations and Community Work Experience Programs (CWEP). Thirty-nine states currently operate innovative work programs. Recent evaluations suggest these programs can save money, increase work experience, and raise earnings of welfare recipients.(39)

Recipients are supportive of work for the able-bodied. Living with the system every day, they understand the importance of work for a better, independent life. One woman recipient in Baltimore called the welfare system, "...'the invisible husband.' The system gives you food, housing, medical protection, pays your bills, and lets you stay home and take care of the children. Why work?"(40) In addition, welfare recipients favor the idea of work in return for assistance. They perceive that it is a fair part of the bargain of rights and obligations that all Americans make.

Welfare and the Family

Welfare's impact on poverty cannot be separated from its impact on families. America's welfare system has done little or nothing to encourage the formation of stable, economically self-reliant families. The growth in single-parent families in poverty is striking and unsettling.(41) Recent research indicates that a change in family structure causes three-fourths of all new AFDC cases: 45 percent from divorce or separation; 30 percent from illegitimate births. Births out-of-wedlock, especially to teenagers, greatly increase the risk of long-term welfare dependency.(42) Conversely, marriage is the most frequent path off AFDC.

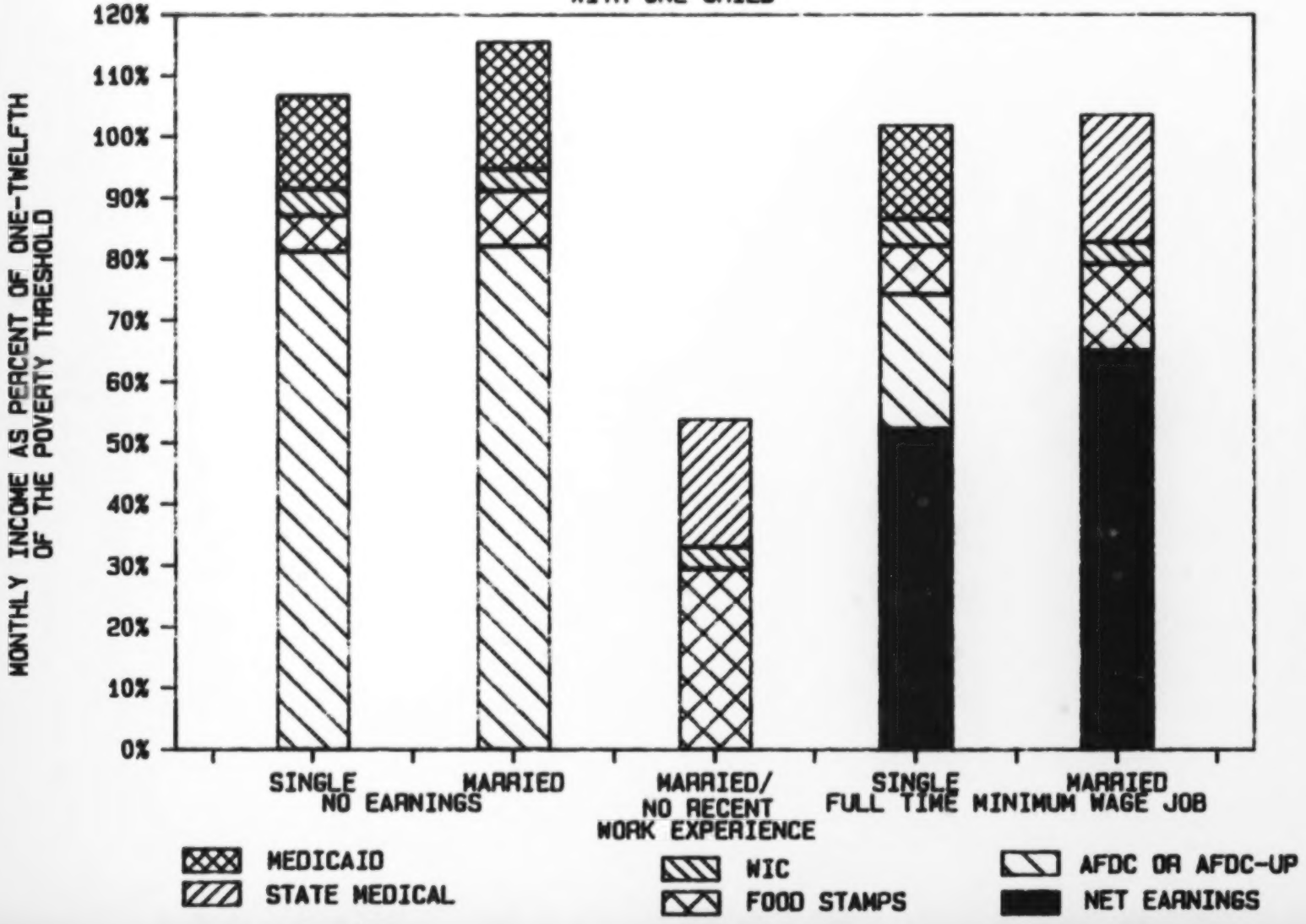
Figure 8 illustrates how the income of a young pregnant woman, living in a state with high AFDC-UP payments, may vary with a decision to marry. The first bar shows welfare benefits if she does not marry or work. The second and third bars show the severe fluctuations in public assistance income which are almost bound to occur if she marries a man who has not had, and cannot find a job.(44)

The fourth bar shows her income if she remains single and works full-time at the minimum wage. The fifth bar shows the family's income if she marries but does not work, and her spouse is employed at minimum wage.(45) In summary, she is never much better off financially if she marries, and in fact she may be much worse off. A factor in her decision may be the security of her income. Unlike work or marriage, welfare is a sure thing. There is sharp disagreement over whether welfare promotes family breakdown, however, a consensus has emerged on a related point: Welfare surely enables mothers to raise children without the help of a father or a job.

FIGURE 8

BASIC BENEFITS TO SINGLE AND MARRIED

WITH ONE CHILD



Another troubling and controversial issue is the impact welfare has on young single men. Some observers say that by providing benefits to single women, welfare deprives men of their traditional social role as provider, severing them from family responsibility. George Gilder notes:

> "No one begrudges money for the blind and disabled, and the sight of a deserted mother and child strikes deep emotional chords. Yet it is this welfare effort - Aid to Families with Dependent Children (AFDC) - that qualms and frightens nearly every lower-class man. He does not resent the subsidized women and children themselves. It is the notion of the male deserter, lovin' and leavin' - in the glamorous pattern of every male fantasy hero - that makes the lifelong husband and worker, with after-tax earnings little greater than welfare, feel like a cuckold."(46)

Others dispute this claim, blaming the decline of the family on such other social factors as joblessness, the lack of male role models, and a faulty education system. Whatever the scholarly debate, the evidence of daily life in our cities and the first-hand testimony of families on welfare does implicate the welfare system.

Bill Moyers in a TV special on black families, examined the plight of a young man who felt no responsibility for his children or his community.(47) Percy Steel, of the Urban League, in discussing the array of welfare benefits available to single mothers, says: "If he has feelings for his family, he gets lost. Welfare is tearing these families apart."(48) In Delaware, a housing inspector relates the following experience.(49) In making his annual review of Section 8 housing units, he noticed in the home of a single mother that she grew nervous as he approached a closet. He opened it to find the father of the household hiding inside. He closed the door, took 15 more minutes to finish his inspection, while the father remained in the closet.

Attempts have been made to address these difficult, complex, and vital family problems. An example is the Child Support Enforcement Program, which tries to locate absent fathers, establish paternity, obtain child support, and enforce parental obligations. Getting support from fathers of children born out-of-wedlock to teenagers can be especially difficult, since no court-order for support exists in most cases. Yet children born out-of-wedlock to teenagers represent a core of the long-term dependent population and a growing core at that. Obtaining financial support is only one step down a long road toward building economically-viable families.

Welfare and Dependency

> "We were programmed to be dependent."(50)
>
> Kimi Gray, Chairman of the Board, Kenilworth-Parkside Resident Management Co., and former AFDC recipient in Washington, D.C.

Several recent studies have tried to discover just how long most recipients remain on AFDC. Most of this research indicates that a majority of those receiving AFDC do so for a relatively short time. Table 4 shows the results of several studies. The first four columns examine so-called spell length, a continuous period of time on welfare, for those who receive AFDC. The majority of spells last for only two years with slightly less than one-sixth receiving benefits for eight years or longer. However, when we examine spell length by looking at the caseload at any one time, this picture changes dramatically. As column 5 shows, only 15 percent of the caseload is made up of short-term recipients, while one-half are in the midst of a spell that will last eight years or longer.

These different findings may seem contradictory, but they are not. Noted social researchers Mary Jo Bane and David T. Ellwood use an analogy to make the point: "Consider a 13-bed hospital in which 12 beds are occupied for an entire year by 12 chronically ill patients, while the other bed is used by 52 patients, each of whom stays exactly one week. On any given day, a hospital census would find that about 85 percent of patients (12 of the 13) were in the midst of long spells of hospitalization. Yet viewed over the course of a year, short-term patients still dominate: Out of the 64 patients using hospital services, about 80 percent (52 of the 64) would spend only one week in the hospital."(51) This same pattern appears in measuring welfare use. Most recipients are short-term users, but at any one time millions of individuals and families are more or less permanent wards of the welfare system.

The evidence of dependency builds if you include the total amount of time many recipients spend on welfare (and not just individual spell lengths). Many recipients move on and off public assistance frequently over the course of many years. In fact, one recent study has found that about one-third of all AFDC spells are followed by other spells, and that 40 percent of first-time AFDC recipients leave the rolls but return at some later time.(52) In Table 4, column 6 shows that about 30 percent of first-time AFDC recipients will experience eight or more years of AFDC receipt and that 65 percent of those receiving aid at any one time will have spent a total time of eight or more years on AFDC.

Table 4

Distribution of Length of AFDC Spells and Total Time on Welfare

	Length of Individual Spell					Total Time on Welfare (includes multiple spells)	
	Persons beginning a spell				Persons on AFDC at a point in time	Persons beginning first AFDC spell	Persons on AFDC at a point in time
Data Source:			AFDC Case Records				
	PSID	NLS	1965 Cohort	1975 Cohort	PSID	PSID	PSID
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Duration							
1-2 yrs	48%	61%	59%	69%	15%	30%	7%
3-7 yrs	35	27	25	24	36	40	28
8 or more yrs	17	12	16	7	49	30	65

NOTES: PSID = Panel Study of Income Dynamics
NLS = National Longitudinal Survey

SOURCES: PSID: Ellwood, David T. Targeting the Would-be Long Term Recipient of AFDC: Who Should be Served? Princeton, NJ: Mathematica Policy Research, January 1986[a].

NLS, AFDC Case Records: O'Neill, June A., Douglas A. Wolf, Laurie J. Bassi, and Michael T. Hannan. An Analysis of Time on Welfare. Final report to the U.S. Department of Health and Human Services. Washington, DC: The Urban Institute, June 1984.

How Federal Programs Have Failed

Welfare began as a government attempt to lift the poor into self-sufficiency; it has become a tender trap. Easy to enter through the many doors of the public assistance system, welfare is difficult and often frightening to escape. It is no accident that professional social workers have long referred to themselves as the "soft police." The system assumes and enforces dependency; it discourages initiative and self-reliance; it demands conformity to conflicting and invasive rules. Welfare does rescue people from destitution, but it too often "helps" them to become and remain dependent, to see themselves and to be seen by others as wards of the state. Yet the people who accept welfare overwhelmingly want to become self-reliant, and the biggest obstacle to fulfilling that desire is often welfare itself.

The Working Group has concluded that welfare fails Americans, both poor and well-off, in five principal ways:

- Complex and confusing, the welfare system mistargets benefits to both poor and nonpoor. New laws establish or "reform" programs with little regard for their impact on existing programs and on the overall system. Benefits from one program often duplicate benefits from another or several other programs. Rules from one program often conflict with or undermine rules from another program. Only slightly more than half of the benefits from 10 major welfare programs actually reduce poverty, leaving 16.9 million people below the poverty line after welfare is distributed. Yet more than half of all people who receive welfare have pre-welfare incomes above the poverty line.

- The welfare system discourages work and self-reliance. The value of welfare's tax-free benefits often exceeds usable income from taxable work. While most Americans expect and want to work, welfare can seduce people into a life of dependency. Worse, the pattern and values of dependency can be transmitted from parent to child, who may come to see welfare as the social norm.

- The current welfare system weakens families. Welfare provides valuable temporary help to a family, yet that same help in effect replaces the breadwinner. Welfare income often increases when parents break up or never marry. There is little incentive for young women to marry the fathers of their children, particularly if these young men have poor long-term job prospects.

- The current welfare system weakens communities. Welfare also weakens the influence of communities on individual and family life. Since most welfare comes from either federal or state governments, it is beyond

the control of most cities and neighborhoods. Welfare recipients may come to have little regard for community standards and local institutions, because no matter what a community says or does, welfare is guaranteed. The community gradually loses its power to influence behavior or to enforce the mutual obligations that make a community livable. Welfare that is both dropped in and managed from afar undermines the implicit social contract among citizens that reduces crime, assists neighbors, and nurtures children.

- The system wastes public money. Much of what American taxpayers now spend on welfare never reaches the poor. We spend twice what it would take to eliminate poverty entirely, but poverty remains.

The second recommendation of the Working Group is that we should neither propose nor support more "national" welfare reforms unless locally tested, with evidence of reduced dependency.

Section III

THE POTENTIAL FOR REFORM

> "State and community leaders throughout the nation understand the political unpopularity of spending money for welfare. Combine that with the proper yearning to do a better job of helping people, and you have the recipe for change that is stirring in the states. Some of what will happen -- and is happening -- is not good. Much of what will happen will be good."(53)
>
> Paul Simon

The Opportunity for Reform

Americans have reached a consensus that the time has come to reform the welfare system. What welfare isn't doing to meet the basic economic needs of the poor is a debated question; what it is doing to perpetuate economic and social dependency is an undeniable calamity. We have invested enormous public resources in a well-intentioned but faulty system. Our challenge is to see if we can fix the system without violating the good intentions.

We know the many ways in which the system has failed, and we know the failures are not the result of too little spending. We have already allocated more than enough government financial resources to meet the need. We have growing evidence of the capability and desire of the poor to organize themselves to escape both poverty and dependency. We also may have a unique opportunity, as the "baby bust" generation produces fewer entrants to the labor force, to match the aspirations of the poor to the labor needs of a growing economy.

As we examine the potential for reform, however, we must be as cautious in designing changes as we are firm in our commitment to make them. Millions of people depend on welfare for sustenance; untested changes in national rules and benefits can easily make matters worse. Our changes must be real improvements: they must encourage real self-reliance among individuals and families, and they must enable communities to strengthen themselves.

Avoiding Past Mistakes

> "The interesting thing about the current period is that the real experimentation, the real learning in this program, is going on in a certain number of States where you have Governors taking these initiatives...They are all acting in the great tradition of federalism as the seedbed of experiment and learning."(54)
>
> Daniel Patrick Moynihan

The first task of any welfare reform effort must be to learn from the mistakes of the past. Above all, this means recognizing the weaknesses endemic to any centralized welfare policy. This report has already documented the ways in which the current system fails, but it is crucial to understand that many of those failures stem from the very nature of the system itself. Tinkering with this centralized federal system can produce at best only modest improvements, and at worst will create only new problems. Tinkering with the system will not address its fundamental problems. A reform proposal with any chance of success will have to search for new solutions in the states, the cities, and the communities in which our welfare recipients live.

Weaknesses of Central Control

A centralized welfare system may be good at delivering money or other benefits to people, but it is much less effective in delivering those benefits in ways that build self-esteem and self-reliance. The reasons are several:

- Any welfare system in a country our size is bound to be complex, but a centrally administered system is complex in the wrong way. A federal welfare system is complex at the top rule-making levels, where thousands of regulations are promulgated to control behavior down through the system. While states currently have some latitude in the way they implement a few programs (notably AFDC), individuals and communities have almost none. Federal rules try to fit millions of individuals and families in thousands of different communities into uniform boxes. The rules of our centralized welfare system are complex, yet they treat recipients as if they were all similar. A decentralized welfare system would do nearly the opposite. It would have simpler rules at the top, and allow more flexibility and complexity at the bottom in treating individual welfare cases.

- A centralized welfare system stresses the process of determining eligibility and supplying benefits rather than developing individual potential. Most welfare workers genuinely want to help the poor, but the centralized, rule-bound system does not reward them for helping anyone escape the welfare system. It rewards them instead for following the rules and making few errors. A centralized system imposes controls; it punishes innovation and retards self-help.

- A centralized system bypasses normal community patterns and support. Federal aid now goes to individuals and households as a right, regardless of their attachment to any community norms or standards. Because the community provides no benefits, it can rarely enforce any mutual responsibility or inspire affections.

Welfare recipients become detached from their community and from the rights and obligations that make any city or neighborhood liveable. Taxpayers, for their part, become alienated from a system that makes them contribute their own income, yet assists no one they know and shows few tangible results.

- In bypassing the community, federal welfare also ignores local resources that could help support individuals and families as they attempt to escape dependency. The welfare system cares mainly that benefits are delivered and rules obeyed. Neighbors, on the other hand, care that their streets are clean and safe, churches care that people have dignity and opportunity, and civic groups care that their neighborhoods are a mecca for commerce. Welfare that is dropped in and administered by distant governments squanders these assets.

Previous Administrations have tried to address both these and the other problems of our welfare system by proposing federal reforms, yet they foundered against our national welfare policy stalemate. Most Americans concerned with welfare agree that the system fails, but they disagree on how to fix it. Any new proposal for federal reform will have to compete against many others; the result is likely to be some compromise that tinkers with some welfare programs, adds or deletes some others, and yet still fails to address systemic problems.

Federal reforms that fail also carry a heavy price. Millions of individuals and families must adjust their lives to new rules. State and local governments eager to experiment are preempted. Communities and neighbors willing to organize to assist their poor neighbors must continue to do so outside the welfare system. Another opportunity is lost.

Strengths of State and Local Ideas

Skepticism about federal reform is not a cause for apathy or despair. On the contrary, it creates opportunities for new ideas and experiments -- ideas, in fact, that are now flourishing in states and cities and neighborhoods around America. The weaknesses of our centralized welfare system are persuading more and more people that solutions lie in the strengths provided by our national diversity and creativity.

- America was formed from various states, and those states have long served as laboratories for social change. The genius of federalism is that it provides an opportunity for government to experiment on a small-scale before it proposes national reforms. Federalism helps both to nurture sound ideas and to weed out the failures.

- In welfare policy today, dozens of states have demonstrated that they are eager to pursue new ideas and fresh strategies. A number have already used the limited independence they now have to improve their welfare systems. This state and local energy, so important to our success as a nation but so ignored in recent decades, is waiting to be tapped by any welfare reform effort. As Rep. Chester Atkins of Massachusetts has noted, "In Washington, the crisis of welfare dependency remains a matter for seminars, panel discussions, symposia, conferences, hearings and departmental review. But in the states, liberals and conservatives alike are engaged in developing and implementing innovative plans..."(55)

- States are also better able to tap the energy and ideas within communities and neighborhoods. They are closer to these constituencies and their leaders better understand local problems. Local and neighborhood leaders, in turn, find it easier to negotiate with state governments than with the complicated corridors of Washington.

- And like the states, communities are also showing an eagerness to improve the welfare system. By "communities," we mean the people who actually live in those cities and neighborhoods, and the many voluntary groups and associations -- the churches, the Rotary Clubs, the PTAs, and the block associations -- that develop and organize citizens to pursue common goals. De Tocqueville described these voluntary associations as a key both to American liberty and social peace when he visited this country in the 19th century. "The best brains in every neighborhood," he said, "are constantly employed in searching for new secrets to increase the general prosperity, and any that they find are at once at the service of the crowd."(56)

These same brains today are willing to provide help in reforming our welfare system if we are open to their ideas.

Community Initiatives

> "I know from years in the neighborhoods that we can rely on community creativity...America is being reinvented little by little in the little places."(57)
>
> John McKnight

The best evidence of the potential for welfare reform are the ideas and activity springing up in communities around the country. Unprompted by the federal government, and sometimes even hampered by it, thousands of Americans have taken it upon themselves to create their own welfare system, in effect a local system that better suits their own community needs. Sometimes these communities have been able to adapt current federal rules to meet their special needs. For the most part, however, community leaders are frustrated by the current system; they have felt they have little choice but to create their own separate and local system of public assistance.

As the following examples illustrate, Americans are showing that they care what happens in their communities, even when the current welfare system gives them few incentives to do so.(58)

- In Baltimore, the People's Homesteading Group (PHG) began with squatters protesting city housing policy, but has evolved into an organization that renovates abandoned buildings for families who do not qualify for conventional financing. In four years, this group of low income volunteers, most of them single mothers, has renovated 12 homes and is building four more. The PHG receives non-cash donations from businesses and churches.

- In central Florida, seasonal farmworkers and the Roman Catholic Church created the Farmworker Association of Central Florida (FACF) to change living and working conditions through education and leadership training. The FACF has created a food co-op, a pruning crew, an employee co-op, and a credit union for the rural poor. Four hundred-fifty families are active FACF members and more than 1,000 individuals have participated in its programs. Funding comes from membership dues, churches, foundations, and the state government.

- The mostly black residents of Natchitoches, Louisiana, are achieving economic independence through creating area businesses and industrial development programs. The Corporation for New Enterprise Development (CNED), started in 1975 with a majority of low income people on its board, works with local communities to increase the region's capacity to attract new industry. CNED invests capital in faltering businesses to turn them around, then uses the profits to assist starting

entrepreneurs. In 1985 alone, 200 jobs were created through CNED's activities. Support comes from the operations profits and the federal government.

- In a low income urban area of St. Louis, Missouri, black residents have joined together under the name of Jeff-Vander-Lou (JVL), Inc. to stimulate economic activity in the neighborhood and offer expanded opportunities for local entrepreneurs to start businesses. JVL's housing development project has built 190 senior citizen housing units and 400 low rent apartments. Funding comes from profits from housing maintenance contracts, private funds, and the federal government.

- In New York City, gang members and other youths and their families have formed the Inner City Roundtable of Youth (ICRY). The young men of ICRY run programs to improve their environment and learn job skills. The volunteer organization's graduates then operate neighborhood businesses and sponsor workshops and seminars for others. The Roundtable works with 1,000 young people a year, and reaches an additional 19,500 through various media. The organization earns money for its own sales and services and receives corporate and government aid.

- In Hendersonville, North Carolina, a group of unemployed women formed the Busy Needle Co-op to increase their economic self-reliance. The Co-op buys special equipment for its contract work; profits from sales are divided among the workers. The Co-op has 15 members and has been operating for three years. It is self-supporting, except for limited church aid and technical assistance from local businesses and other organizations.

- In Washington, D.C., residents in the Kenilworth-Parkside public housing complex started "College, Here We Come." The program prepares students for college or other career training and provides some financial aid. Since the program's start in 1974, the number of residents attending college has risen from zero to more than 500. Some 200 others have been enrolled in post-high school career training, and the high school dropout rate has fallen from 80 percent to 39 percent. Companion organizations tutor older residents and operate day care centers for young parents who want to work or attend school. These programs are financed by donations and income from the resident management organization.

- In central Cincinnati, residents organized the Walnut Hills Area Council (WHAC) to make their neighborhood a better place to live and work. Some 500 Council members serve as volunteers and work with the city government to review and approve all environmental and zoning issues, construction programs, and development activities that affect their neighborhood. WHAC has also established a health clinic, a recreation center, and a new school building. The Council is supported by membership dues and federal funds.

- Navajo Indians in Chinle, Arizona, established Dineh Cooperatives Inc., a community development corporation, to create reservation trading posts operated by Navajos. Dineh established a shopping center that employs more than 100 people, and a manufacturing plant that employs 65 in precision machinery and electronic assembly. Dineh also provides technical assistance to Navajo entrepreneurs, assists in reservation planning, and was instrumental in developing a hospital and housing project in Chinle. The corporation earns money from the shopping center and manufacturing plant, and receives contributions from churches, foundations, and the federal government.

- Low income residents in Missoula, Montana, many of them unemployed and single parents, established Down Home Project Inc. in 1979. The Project operates a plant nursery and seed company that employs people who want to trade labor for food and young offenders who want to earn restitution credit. Many of the nursery's employees are disabled and would be dependent on public assistance without these food credits. In 1985, more than 1,000 people traded labor for food and 5,000 other bought Down Home products. Support comes from seed and plant sales, membership fees, and both cash and non-cash donations.

- In Philadelphia, low income families and gang members in an inner-city neighborhood participate in the House of Umoja, which was founded by the brother of a gang member. The House reduces gang violence by assisting youngsters threatened by gang recruitment. Umoja's boys have renovated 24 residences which, along with the Umoja headquarters, comprise something of an urban Boystown. The project is designed to give boys positive role models and a family-style home life, and to teach work skills by providing jobs in renovation projects and neighborhood businesses. In 18 years, Umoja's residential program has taken in more than 600 boys, and its job-training programs more than 2,000. The program is now being imitated in Wilmington, Delaware, and is supported by foundation and

corporation grants, and by the city and federal governments.

- In Denver, low income families participate in Brothers Redevelopment Inc., which aims to invigorate poor neighborhoods. Volunteers repair homes for low income and elderly citizens, teach students skills in construction, and provide financial aid for mortgage payments. More than 1,500 families have participated in Brothers' projects, and 100 young people have been involved in construction training. Another 2,500 volunteers contribute time and labor annually, and their annual "Paint-a-thon" to paint homes for the elderly has been imitated in several cities. Brothers earns some of its own income, and receives support from corporations, foundations, and other private donors, and from the state and federal governments.

- In a low-to-middle-income section of Pittsburgh, residents formed Operation Better Block (OBB) to improve their neighborhood's economy and physical appearance. OBB provides technical assistance and leadership training to residents, who are organized on a block-by-block system to identify problems and meet area needs. The group supplies tools and equipment so residents can improve their property and has developed a five-year community revitalization plan. OBB also sponsors adult literacy programs, helps parents become involved in their childrens' education, and conducts voter registration and education drives. The community is retaining its residents, and more than 100 of the 240 neighborhood blocks have been organized since 1971. OBB receives donations from corporations and United Way.

- In Los Angeles, gang youths and their families and other residents of one inner-city neighborhood formed the Family Help Line to keep kids out of gangs. Help Line provides a telephone hotline for crisis prevention and counseling, and it works with youngsters released from jail to support school attendance and to help find jobs. The efforts have significantly reduced both delinquency and gang violence. Music and sports figures have helped with a public awareness campaign, churches and businesses have donated money, and the county government has donated office space.

- The Adopt-a-Family Endowment, founded by Dr. James Mayes, matches volunteer black professionals in Los Angeles with low income families. Volunteers must have some ties to the low income community and serve as role models to help families remain intact and gain financial independence. The volunteers provide no cash but offer instead such basic aid as food, shelter,

and medical services. More than 130 families have been assisted to self-sufficiency. Adopt-a-Family has been imitated in other cities and receives no public funds.

- In St. Louis, Washington, D.C., and several other cities, residents of low income public housing projects have used tenant management corporations to improve their quality of life. One tenant group in Washington, D.C., screens residents, maintains the building and grounds, develops and enforces housing regulations, and provides social, health, economic, and legal services. Other groups emphasize economic development and offer jobs and job training, child-care, tutoring for youngsters, and literacy programs for adults. The results have included reductions in operating expenses, a decline in vacancies, and an increase in jobs. Support comes from resident businesses, private donations, and the federal government.

- In Hyattsville, Maryland, the Combined Communities in Action (CCA) organized in 1976 to help very low income senior citizens lead more independent lives. In classes held throughout Prince George's County, volunteers teach such basic skills as how to balance a checkbook and how to read a bus schedule. Funding comes from the United Black Fund.

These projects are only the tip of the iceberg: a two-month search uncovered 385 such projects in 47 states, and there are undoubtedly many more. They demonstrate the vast potential for a public assistance strategy that tailors welfare to the needs of individual communities.

State Initiatives

America's state governments have also responded to the frustrations of the current system with reforms that attempt to reduce dependency. The 1981 law changes slightly increased the latitude states were given to try limited experiments in welfare policy. They have responded with creativity and enthusiasm.

- Illinois introduced Project CHANCE in 1985 with a goal of removing 100,000 people from the welfare rolls within three years. The program provides education, requires work in return for benefits for everyone except those with children under age six, and attempts to arrange jobs in the private sector.(59)

- Utah introduced its ambitious "Self-Sufficiency Program" in early 1983. Begun as a pilot project, it quickly proved so effective that it was expanded statewide. The reform is innovative, beginning with new and more thorough interviews when recipients first apply for welfare, emphasis on immediate job placement, and

the pursuit of steps such as education and training that will lead to self-sufficiency. More than two-thirds of the state's AFDC recipients have signed up for the program, and the state reports that in two years the number of AFDC clients placed in jobs has tripled.

- In California, Project GAIN requires welfare applicants to sign a contract linking rights with responsibilities. The program provides job counseling, supervised job searches, and remedial education. GAIN provides child care and work-experience jobs for those unable to find other work. Benefits can be reduced or cut off for those who refuse to participate, in the job search and training program.

- Pennsylvania's 1982 reforms include work incentives, limits on cash grants, work registration programs, community work experience, and tax credits for private employers that hire welfare recipients. State officials say that more than 200,000 recipients have found jobs that helped take them off welfare, while more than 40,000 received job training, and another 130,000 got some kind of work experience.

- Massachusetts introduced its Employment and Training Choices (ET) program in 1983. ET calls upon various state agencies, including the employment services, to reinforce progress out of dependency. The state has a very low unemployment rate and a declining welfare caseload.

- Washington state has completed plans (subject to federal approval) to install a new Family Independence Program (FIP). FIP would create a public corporation to manage public assistance and to make economic independence, not simply aid to the needy, the program's main goal. Payments to a welfare family would vary with family size and with participation in jobs or job-training. Child and medical care and family services would be provided to those starting work. State officials see FIP as a five-year demonstration.

The Reagan Administration has tried to encourage these and other welfare initiatives, but current federal laws limit what can be attempted. State leaders told the Working Group that they would be willing to propose and implement more comprehensive experiments, <u>if only federal laws allowed them to do so</u>. They want the freedom to do better than they are doing with the current system; the Working Group's proposed legislation to allow experiments would give then that freedom.

The Challenge of the "Baby Bust"

America's new consensus to reform the welfare system coincides with an important demographic change: A decline in the number of workers entering the labor force through the next 10 to 15 years. During the 1960s and 1970s, children of the so-called "Baby Boom" sought their first jobs in record numbers. Combined with a wave of immigration and the entry, for the first time, of millions of women into the workforce, the Baby Boom flooded America's job market with an abundance of skilled labor. Our resilient and productive private economy responded by creating millions of new jobs.

Over the coming two decades, however, the "Baby Bust" generation will be entering the workforce. Their fewer numbers, combined with fewer women seeking their first jobs, means that America's employers may have trouble finding enough properly trained workers to fill all of the new jobs. Wage levels will probably rise, especially for jobs requiring specific technical skills. The result, as Labor Secretary William Brock has noted, is that "...there will be employment for everyone that wants it and has developed their talents to the degree they can."(60)

The Baby Bust will make it easier to lift America's welfare recipients up from dependency. Plenty of jobs will be available in the private economy, and at wage rates that will provide an adequate living. Welfare recipients will be able to fill those jobs, provided they have both the motivation and the proper preparation. State and community experiments in welfare reform, therefore, need to make sure that they provide adequate incentives to work. And they need to work with private employers in both building experience and motivation, and finding jobs for those on welfare who want to work and become self-reliant. The paths up from dependency will be plentiful, if only our welfare system will point the way.

Section IV

A NEW NATIONAL PUBLIC ASSISTANCE STRATEGY

We believe it is time to take a dramatic new direction in our nation's welfare policy. It is time both to learn from, and to repair, the mistakes of our centralized system with a new national public assistance strategy that stresses grass-roots participation, state and local initiative, and ideas for reducing dependency.

The cornerstone of this new national strategy is long-term experimentation through demonstrations that are both community-based and state-sponsored. In order to succeed, any comprehensive welfare reform must be rooted solidly in the basic fabric and energy of the individual, family, and community. Only by harnessing this energy can we ignite a resurgence of productive spirit in low income neighborhoods. Throughout American history, the state governments have played a unique role in serving as laboratories for policies that can blend national goals with this community energy and support.

The Working Group believes, therefore, that the federal government should create the proper climate for innovation by giving states the broadest latitude to design and implement experiments in welfare policy. In other words, we are asking the federal government to develop a process for discovering new ways of reducing dependency rather than to design a specific federal program. The federal government remains an integral part of this strategy: It will articulate the goals and define the parameters for any reform experiment; it will maintain the level of current federal financing, and it will continue to enforce all due process and civil rights obligations. At the same time, however, the federal government must allow states and communities the maximum flexibility to experiment.

National Goals for a New Public Assistance Strategy

Our new strategy must be open to new ideas, but that does not mean it must implement every idea. The state and local experiments need some context in which to form and operate if they are to have any hope of overcoming the failures of the current system while promoting self-sufficiency. To shape these efforts, we have developed 10 specific policy goals. Any state or community welfare initiative should aim to meet these goals.

The first goal is to insure that public assistance is an adequate supplement for other resources in meeting essential needs. In our society, all those in need through no fault of their own should have access to the means to meet basic living requirements, first through his own efforts, then through family, neighborhood, and community support, and finally through state

and federally funded public assistance when other resources are insufficient.

The second goal is to focus public assistance resources on efforts to reduce future dependency on public assistance. The true test of effectiveness of any governmental public assistance system should be measured by how many recipients become independent. To this end, the local community must share responsibility for creating opportunities and support for their needy, integrating them into the social and economic mainstream of community life.

The third goal is to individualize determinations of need for public assistance, and to make such determinations, to the extent possible, through local decisions. Because individual needs and capabilities differ, public assistance benefits and opportunities should not be tied to a federally-determined standard. Whenever possible, precision must be applied to determine individual needs and benefits must be tailored accordingly.

The fourth goal is to provide public assistance only to those in need and only to the extent of that need. More than twice as much is being spent on public assistance as would be needed to lift all Americans out of official poverty. Poorly targeted assistance sustains dependency by encouraging recipients to adapt their life-styles and motivation to remain eligible, thus conflicting with any coherent incentive system to promote work.

The fifth goal is to make work more rewarding than welfare. No worker should be able to improve his financial condition by reducing or quitting work, and collecting public assistance. Under no circumstances should public assistance make a nonworker, who has the potential to support himself financially, better off than a worker.

The sixth goal is to require that those who are able to work do so for their public assistance benefits. All able-bodied public assistance applicants should be required to find a job in the private sector or to participate in a public-service work program as a condition of receiving public assistance. Just as society has a moral obligation to help its most needy citizens, those who are able-bodied and receive assistance have an obligation to make some contribution to their local community in return.

The seventh goal is to encourage the formation and maintenance of economically self-reliant families. The goal here is not to encourage any specific family composition, but rather to make maximum economic self-reliance an explicit criterion for public assistance efforts related to maintaining families.

The eighth goal is to require public assistance recipients to take greater responsibility for managing their resource, and to encourage community-based administration of public assistance. Adult public assistance recipients must be given responsibility

for managing their own lives and resources, both personal resources and those provided through public assistance, to best meet their needs and the needs of their families. This places on them the same responsibility all other citizens have, to live with the consequences of their own actions.

To support individual responsibility, the local community should share in the decision-making in any public-assistance system. Only administration that is carried out close to the recipient can distinguish the good-faith efforts of recipients trying to help themselves from those who are not.

The ninth goal is to create opportunities for self-reliance through education and enterprise. For those who can work, public assistance should be a temporary means of support and skill improvement, until employment can be obtained. Any level of government, community, or private enterprise charged with people's welfare has to be concerned with creating future economic opportunities through education and to provide opportunity for enterprise. To provide assistance for present needs only maintains poverty.

The tenth goal is to reduce the future costs of public assistance by reducing the need for it. Far more is now spent than would be needed to lift all Americans out of officially measured poverty; therefore, the new public assistance strategy should retain current federal-state financing commitments, but should require no increase in expenditures, and should lead in time to decreased expenditures as dependency decreases.

The Working Group's third recommendation is that these ten goals for restructuring public assistance be adopted by the Administration and proposed to the Congress for inclusion in any legislation affecting public assistance programs. These goals are an integrated package and should be applied as such.

A Federal/State/Community Partnership

The virtue of the federal system lies in its ability to foster state experimentation and to promote political activity within diverse communities. As this report has shown, several states and numerous communities are already pursuing new projects to create opportunities for their less fortunate neighbors.

The Working Group has talked with the governors of nearly half the states about experimenting with alternatives to the current welfare system. All of the governors contacted, indicated an interest, and nine of them were able to submit papers for such experiments in the short time available. Their proposals include elements that suggest that many creative answers are possible to the fundamental questions of welfare policy:

1. How can work for pay be more rewarding than welfare?

   - Utah: In accordance with an individual plan for self-sufficiency, additional benefits would be awarded to a recipient who achieved key milestones to ensure that work and self-reliance are always preferable to public assistance.

   - Indiana: Work or training for employment would be a condition of receiving public assistance. Able-bodied recipients would always have an incentive to seek employment.

   - Pennsylvania: Recipients who obtained full-time employment would be eligible for additional incentives to retain employment: a cash grant for day care for one year; medical insurance for one year; and a cash subsidy if monthly income is less than public assistance would otherwise provide.

2. How can persons and families now dependent on public assistance best prepare themselves for productive employment?

   - West Virginia: A work supplementation program would teach recipients basic skills in an on-the-job training program for nine months. Welfare benefits would be used to reimburse employers who contracted with the state Department of Human Services as part of this program.

   - North Carolina: All able-bodied recipients would have to satisfy a minimum work requirement in return for benefits. Two programs would be available: a comprehensive program involving job-readiness training, placement services, and work experience leading to full-time employment; or, for recipients who refuse to improve their employability, a traditional and mandatory work-for-benefits program.

   - New Jersey: One demonstration project would focus on teenagers who have children in order to break the cycle of dependency. This project would test the impact of a mandatory education and work requirement for first-time welfare recipients under age 19 with young children.

3. How can low income persons and families be encouraged to manage their own resources, both personal and those provided through public assistance, as a first step toward self-sufficiency?

   - New Hampshire: A "menu" of services and benefits would be made available to a recipient, within some maximum. The recipient would then have discretion both in locating and arranging for the least expensive method

of obtaining the desired public assistance benefits. The recipient would be allowed to reallocate any "savings" to his other legitimate needs as he moves towards self-sufficiency.

- Indiana: Several assistance programs would be consolidated and all benefits converted to cash, for recipients in a work or training program, up to a maximum of 125 percent of the poverty level. Health care would remain available for everyone receiving cash assistance.

- Rhode Island: Rhode Island would convert Food Stamps to cash for the elderly and disabled, giving recipients greater responsibility for their own decisions.

4. How can the formation and maintenance of economically viable, two-parent families be encouraged?

   - Utah: Utah would reinforce its Emergency Work program for unemployed two-parent households. At least one household member would have to participate 40 hours a week in a combination of job activities. Benefit levels would be designed to ensure that the two-parent household would have an incentive to take a minimum-wage job. Participation would normally be limited to six months in a twelve-month period.

   - North Carolina: All teenage fathers unable to provide child support would be required to work in public-service jobs to "work off" the support payment.

   - Pennsylvania: To encourage the maintenance of two-parent families, the income of absentee parents who return home will be disregarded for one year when the state determines eligibility for public assistance.

5. What administrative mechanisms can best promote locally-managed public assistance?

   - New Hampshire: The state would introduce a case-management system in which flexibility and recipient involvement are critical. A case manager would assess an individual's needs, while the recipient and caseworker work together to develop an individual plan both to provide assistance and to develop the individual's capacity to become self-sufficient.

   - North Carolina: The state would require a local determination of both need and benefits, as well as the responsibility for assuring the effective use of public resources. A local community policy board would be established to provide guidance, from time to time to

review the work of case managers, and twice each year to review the progress of recipients.

- o New Jersey: New Jersey would establish a Family Maintenance Organization (FMO) in a community by pooling several welfare funding sources. The FMO would have a high degree of control over resource allocation, and the flexibility to respond to the varying needs of welfare clients and the local economy. This proposal would convert some non-cash benefits to cash and would be based on the HMO health-care model.

6. How can barriers to full-time employment be eliminated?

- o New Jersey: In one proposed demonstration, New Jersey would establish a county-based project to target long-term welfare clients. This project would test the impact of a package of services such as child care and cash incentives in order to examine factors thought to be barriers or disincentives to employment.

- o West Virginia: The state would extend Medicaid coverage for a period of time for an underemployed household. This would allow the recipient time to find affordable private medical insurance or to become eligible under an employer's medical plan.

7. How can neighborhoods and communities develop among their citizens' positive social values in support of self-reliance and family responsibility and create opportunities for self-help and enterprise?

- o New Jersey: One demonstration would establish a community bank to provide low- or no-interest loans for specific purposes to welfare recipients who are in school or who have been successfully employed for a period of time. Another demonstration would promote self-reliance by reinforcing such self-help initiatives in housing renovation as the Martin House in Trenton.

- o Indiana: The state would establish additional eligibility guidelines. Children would be required to attend school to be included in a "family" that receives public assistance. Teen-age parents would have to reside with their parents and would have to attend school in order to receive benefits.

This sampling of ideas, though far from comprehensive, nonetheless sends a clear message: The states in our federal system have many views on what works in welfare policy, views that reflect the great diversity of economic and social conditions within their communities. The Working Group believes it is counter-productive for the federal government to mandate a new centralized set of rules in the name of reform when so many

states are already taking steps to find solutions that match their own unique circumstances.

Thus, the Working Group's fourth recommendation is to initiate a new federal-state-community partnership that fosters a climate of creative experimentation through state-sponsored, community-based demonstration projects.

As with all partnerships, certain guidelines must be established to ensure cooperation and mutual benefit. Any state demonstration proposal should be initiated with the following understanding:

- Any experimental alternative to the current public assistance system would have to be consistent with the policy goals outlined in this report.

- Funding for the experiments would be budget neutral, with federal funds equaling the amount that would have been spent on the regular programs in the absence of the demonstration. Individual and family public assistance benefits should be capped at a state- or locally-determined standard to ensure that benefits from federally funded programs are provided only to those in need.

- If implemented, demonstrating states and localities would be permitted to keep a substantial portion of any savings that result from a decline in dependency.

- The experiments should be designed to last five years, but exceptions for longer and shorter periods could be granted. In any case, the federal government must provide an opportunity for longer term evaluations.

In summary, the federal role in these demonstrations should be to establish the goals that provide a policy framework for state experiments; to fund the experiments at current spending levels; to assist in evaluating these experiments; and then to recommend and expand those initiatives which succeed in reducing dependency. The states, for their part, must provide the opportunity for local decision-making; must promote the strategy to inspire private, self-help endeavors; and must encourage real improvements in the experiences of individuals who want to move up from dependency.

Implementing the Strategy

To foster state and local experiments that truly are imaginative, federal enabling legislation is required. The limited waiver authorities currently available to the federal Departments of Labor, Agriculture, and Health and Human Services do not go far enough and typically apply only to individual welfare programs. A general and system-wide waiver authority is required so that

state demonstrations may differ in whole or in large part from established rules and procedures. States should be authorized to determine, among other things, benefit levels and rules of eligibility; education, training, and work requirements; how earnings from work will be treated when benefits are determined; and the extent of social services. The only absolute requirements are that these proposals be consistent with the policy reform goals listed in this report and that they satisfy federal civil rights and due process standards.

The Working Group's fifth and final recommendation is that enabling legislation be proposed to implement the state-sponsored and community-based experimental program.

Conclusion

The Working Group recognizes that the success of this strategy depends on the vision and innovation of state and community proposals. If the demonstrations are narrowly focused, if they fail to take risks, then the results will be insufficient to warrant a new federal-state-community partnership. On the other hand, if the proposals emphasize self-reliance and attempt to strengthen both families and communities, we can anticipate results of enormous and lasting national significance. We are confident that both state and community leaders will see this strategy as the great opportunity it is and propose demonstrations that offer genuine promise of creating a better welfare system.

We also recognize that the success of this strategy will require a political consensus across various ideologies and social and economic groups. The strategy will fail, as all other welfare reform attempts have failed, if the poor like it but taxpayers do not support it, or if taxpayers like it but the poor believe their interests are trampled upon. We cannot be sure, but we anticipate that the appeal of this strategy will stretch across traditional economic and political lines.

In answering President Ronald Reagan's charge, the Working Group also believes it has done at least two things that no other previous attempt at national welfare reform has tried to do. We have first looked at welfare as a system, rather than as a series of unconnected programs. We did this because the welfare recipient, the poor American, looks at welfare as a system, as a bundle of programs and rules that taken together affect his life and influence his behavior. Second, we have recommended that the federal government undertake a process of reform rather than propose any single program of reform. We have recommended this because we believe it offers the best hope of addressing the problems of our current centralized welfare system, the best hope of mobilizing and sustaining public help for the poor, and, above all, the best hope of raising the most Americans up from dependency.

ENDNOTES

1. Ronald W. Reagan. The State of the Union. An Address to the Congress. White House Office of the Press Secretary, Washington, D.C., February 4, 1986.

2. Supplemental Volumes to this report include: (1) The National Public Assistance System; (2) Experiments in Reform; (3) A Self-Help Catalog; and (4) Research Studies and Bibliography.

3. Between July and September 1986, public hearings were held in Boston, San Francisco, Pittsburgh, Atlanta, Chicago, Denver, and Washington, D.C. Principal topics were: cash assistance and welfare, food and nutrition, jobs and job training, housing, health, and education. These hearings were conducted by the Advisory Commission on Intergovernmental Relations (ACIR) upon the request of the Domestic Policy Council Low Income Opportunity Working Group.

   The ACIR provided the Working Group with seven volumes of transcripts and thousands of pages of submitted statements and reports, representing the current thinking and views of Americans from many walks of life.

4. During September and October of 1986, a nationwide survey was conducted for the Working Group, under the direction of The National Association of Neighborhoods, in Washington, D.C. Twenty-two roundtables were held across the country. The survey examined the experiences of individuals and families who had successfully negotiated and emerged from a personal period of poverty.

   The roundtables were held in churches, community centers, and social service office buildings geographically accessible to the members of the focus groups. Most of the participants were ex-welfare recipients, who had successfully gotten off the programs, and had stayed off. Their experiences with welfare ranged across the many individual public assistance programs, and varied in duration from a few months to over six years. Some had never been on welfare as adults, but had grown up in low income families that received various forms of public assistance. In discussing their success stories, the 203 participants in the focus groups helped us develop a better understanding of what works for people escaping poverty and/or welfare dependency.

5. "The Family: Preserving America's Future," a Report of the Working Group on the Family of the Domestic Policy Council, November 1986. "The Status of Federalism in America," a Report of the Working Group on Federalism of the Domestic Policy Council, November 1986.

6. Kenneth Auletta. The Underclass. New York, NY: Random House, 1982; Nicholas Lemann. "The Origins of the Underclass," The Atlantic Monthly, July 1986, pgs. 54-86.

7. Economic Report of the President, February 1986, Table B-40.

8. "Welfare Success," William Raspberry, Washington Post, November 22, 1986, pg. A-23.

9. The following examples, and many others describing self-help efforts and demonstration concepts are covered in more detail in Supplements 2 and 3.

10. The Quotable Ronald Reagan. Joseph R. Holmes, ed., San Diego, CA: JRH and Associates, Inc., 1975.

11. Economic Report of the President, February 1986. Table B-37.

12. "Reexamining Welfare," Julie Kosterlitz, National Journal, December 6, 1986, pg. 2929.

13. The poverty rate for subgroups of the population may differ significantly from this overall rate. For example, see U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 152, Characteristics of the Population Below the Poverty Level: 1984, U.S. Government Printing Office, Washington, D.C., 1986. Table 1, pg. 5.

14. For 1983, the official poverty rate was 15.2 percent, and for 1984 it was 14.4 percent. For the period of the SIPP longitudinal research file, from mid-1983 to mid-1984, counting all cash income and the market value of non-cash government transfers received, the poverty rate was 7.4 percent. The SIPP rate does not include members of unrelated subfamilies. In 1984, 634,000 of the total 33,700,000 persons officially below poverty were in unrelated subfamilies, representing about .3 percent of the 14.4 percent officially poor.

15. Data about public assistance spending from 1960 through 1985 is presented in more detail in Supplement No. 1.

16. Data from the March Supplement to the Current Population Survey, used to generate the official poverty rates and for the Census Bureau's Technical Paper series on evaluating

non-cash benefits, is estimated to capture about 90 percent of all income. See U.S. Bureau of the Census, Technical Paper 56, Estimates of Poverty Including the Value of Non-cash Benefits: 1985, U.S. Government Printing Office, Washington, D.C., 1986. Appendix F, pgs. 85-86.

17. This report uses the term 'welfare' to refer to the 59 major public assistance programs with individual means-tests. A means-test is a determination that income and other resources are below some standard and is used as a condition of program eligibility.

    The report makes a distinction between major means-tested public assistance programs, or 'welfare,' and other programs targeted at low income people. The wider group of programs includes 31 other grant programs (including some smaller programs with means-tests and programs without means-tests but aimed at particular areas or groups regarded as needy), and 11 loan programs. These are identified in Table 1 and are termed 'low income assistance.' The categories are not presented as absolute. The Special Milk Program, at $16 million, is included as a major means-tested program because past funding has exceeded $100 million. The Grants to LEAs program targets low income areas, then has an individual determination that an eligible student is "educationally deprived." The Section 235 and 236 housing programs were means-tested when they accepted the recipients currently receiving aid, although no new applications are being taken. The Social Services Block Grant consolidated funding for some programs which had means-tests and some which didn't.

18. Unless otherwise noted, references to program spending, benefits, and numbers of recipients employ FY 1985 data. The spending numbers are largely outlays. For school meal programs, Community and Migrant Health Centers, the Maternal and Child Health Block Grant, Family Planning, Head Start, and Social Services, obligations totalling $8.6 billion, rather than outlays are used. For education programs, totalling $4.1 billion, amounts of budget authority or available aid are used where outlay numbers were not available. Spending for nutrition programs includes the value of commodities provided, as well as cash outlays.

19. The Office of Policy Development invited the governors of the states to submit information about state and local spending on public assistance in addition to the state spending required by federal law and included in the totals for federally supported programs. Thirty-three states plus the District of Columbia and one territory provided information. A total of over $9 billion was identified. Three billion dollars was spent on cash assistance, primarily General Assistance. Another $3 billion was identified by states as health-related. About $3 billion was reported as being for other services, such as social

services, food, housing, and education. The classification of aid into these categories was based upon each state's own definitions.

20. The information is drawn from the 1983-4 Longitudinal Research File of the Survey of Income and Program Participation. The survey is discussed in more detail later in the report.

21. In addition to setting maximum incomes to qualify for assistance, many programs limit the assets which an applicant may have and still be found eligible.

22. For the House, the number includes four committees authorizing non-cash housing aid (Energy and Commerce authorizes the Low-Income Home Energy Assistance and Low-Income Weatherization Assistance programs; Banking, Finance and Urban Affairs authorizes the HUD and FmHA programs; Interior and Insular Affairs authorizes the Indian Housing Improvement Programs; Appropriations provides funds for the Emergency Food and Shelter Program), and three others authorizing cash aid, some of which is intended for housing (Ways and Means authorizes AFDC, SSI, and EITC; Veterans Affairs authorizes pensions for needy wartime veterans; Judiciary authorizes refugee assistance; Interior and Insular Affairs authorizes Indian General Assistance). In the Senate, five committees authorize non-cash housing aid (Labor and Human Resources authorizes LIHEAP; Banking, Housing and Urban Affairs authorizes the HUD and FmHA programs; the Select Committee on Indian Affairs authorizes Indian Housing Improvement; Energy and Natural Resources authorizes Low-Income Weatherization; Appropriations provides funds for Emergency Food and Shelter). Three others authorize cash for basic needs (Finance, Veterans Affairs and Judiciary).

23. HHS administers LIHEAP; Energy administers Low-Income Weatherization; Agriculture administers the FmHA programs; Interior administers Indian Housing Improvement; the Federal Emergency Management Agency administers the Emergency Food and Shelter Program.

24. This report uses the term 'poverty levels' to refer to the poverty thresholds, a statistical measure employed by the Bureau of the Census. For use in determining program eligibility, HHS publishes annual poverty income guidelines. These guidelines vary by family size, like the thresholds, but not by the age of the householder, as the thresholds do. The guidelines round the threshold for a four-person family to the nearest $20, then adjust for family size by adding or subtracting an equal amount of dollars for each family member. As a result, the guidelines and thresholds vary for some family sizes by as much as several hundred dollars.

25. "Ex-Governor Robb Calls for Shift in View of Blacks Problems," Phil Gailey, New York Times, April 13, 1986, pg. 28, Section 1.

26. Eligibility Technician, San Diego County Department of Social Services, San Diego, California. Telephone interview with Office of Policy Development staff, December 1986.

27. Administration of AFDC in Illinois: A Description of Three Local Offices, Peter Batemen, et.al., ABT Associates Inc., Cambridge, Mass., July 1980, pgs. 7-26.

28. Administration of AFDC in Washington: A Description of Three Local Offices, Peter Bateman, et.al., ABT Associates Inc., Cambridge, Mass., July 1980, pgs. 8-18.

29. Final Report of Findings of Focus Group Research Conducted on Behalf of The National Association of Neighborhoods, Prism Corp., Washington, D.C., Fall, 1986, pg. 27.

30. Final Report of Findings, pg. 27.

31. The Bureau of the Census' Survey of Income and Program Participation (SIPP) is a household survey which began in 1983 with a sample of 19,900 interviewed households in the noninstitutional population. The sample was divided into four parts, each of which was interviewed once in a four-month period, for a total of three times a year. During each of the three interviews, a household was asked detailed questions about demographics, income, and participation in government transfer programs. SIPP is designed to improve upon the coverage of other household income and program participation surveys by asking more detailed questions and by visiting the household every few months, rather than only once a year. For this report, the Bureau of the Census produced tables which, for the first time, linked data from a full year of interviews. This 12-month file is regarded as still under review by the Bureau of the Census, and accordingly is titled a Research File. Nonetheless, it is the best data available on subjects central to this description of the current public assistance system.

    As in any survey, SIPP is subject to nonresponse, under reporting, and recall problems. However, the program participation data in SIPP are clearly superior to those from the March Supplement to the Current Population Survey, used to generate the official poverty statistics. Upon request, the Bureau of the Census produced detailed tabulations with two accounting periods. The annual tables were produced by fixing the composition of the SIPP household at the end of the 12-month interview period, then producing annual estimates by looking back over the year's experience for the members in the household at the end. This method was chosen to produce annual estimates of

income, program participation, and poverty status by a method emulating that used for the official estimates generated each year from the March Supplement to the Current Population Survey. Tables based on the same specifications also were generated using weighted monthly averages from the 12-month period. For these tables, monthly poverty levels were assumed to be one-twelfth of the annual poverty levels.

32. While the SIPP data are superior to other sources, SIPP limitations however, must be kept in mind. It classifies people as poor by employing the poverty thresholds, the limitations of which are described in this report. While income in SIPP is not as underreported as it is in the Current Population Survey used to generate the official poverty statistics, some underreporting remains. Finally, SIPP captures only a little less than two-thirds of the spending on public assistance by the 59 programs which are our main focus. Some of the spending was not captured due to underreporting. Other programs on the welfare list are not captured by the core questionnaire on SIPP. These include the service, training, and education programs (although some stipends from training, and education programs may be reported on SIPP as earnings), which together represent about 13 percent of federal and required state spending. SIPP cannot accurately distinguish means-tested veterans' benefits from other veterans' benefits, so totals of means-tested cash assistance do not include pensions for needy veterans.

33. In its documentation of the special tabulations used here, the Bureau of the Census described the means-tested programs captured by SIPP as including: AFDC, SSI, state-funded General Assistance, Refugee Assistance, Food Stamps, free or reduced-price school meals, WIC, public or other subsidized rental housing, Low-Income Home Energy Assistance, and Medicaid. On this basis, this report refers to 10 major means-tested programs captured by SIPP. However, several of these categories may cover more than one of the programs in the list of 59. In particular, AFDC reported to SIPP may include Emergency Assistance for Needy Families. Free or reduced-price school meals includes the National School Lunch Program and the School Breakfast Program. Public or other subsidized rental housing could be public housing, Section 8 rental assistance, Rural Rental Assistance, or other programs.

    The SIPP tables also included a category of "other cash welfare." Means-tested benefits to veterans, their parents and survivors also should be included in counts of means-tested cash assistance. However, SIPP is not able to accurately distinguish means-tested veterans' benefits from other veterans' benefits. As a result, discussion here of the aggregate and average amounts of means-tested benefits, and particularly cash benefits, will be understated in part

due to the absence of the roughly $3.9 billion which such programs provide annually. In addition, SIPP captures some state-funded assistance not included in the 59 major federally-supported programs. The largest of the state programs are the General Assistance programs.

34. The following discussion refers to families receiving various kinds of means-tested benefits. It is important to note the difference between the definition of family used by the Bureau of the Census in its surveys, including SIPP, and the assistance units of the various means-tested programs. In the SIPP data employed here, a family is a group of two or more persons (one of whom is the householder) related by blood, marriage, or adoption, and residing together. All such persons (including related subfamily members) are considered members of one family in these SIPP data. On the other hand, means-tested programs may provide assistance based upon the income and resources of individual persons. Other programs may base eligibility on the income and resources of families, or subfamilies, or, in some cases, households.

    So, for example, the SSI program may find an aged person eligible based upon his own income and resources, although he is living with his children whose income is well above the eligibility maximums. In that type of situation, the SSI benefit is reduced by one-third as the amount of support the aged recipient is deemed to receive from living in the household of another.

35. Of the $121.6 billion in federal and required state spending on public assistance in FY 1984, about $14.8 billion was spent for long-term care under the Medicaid program. Most of the recipients were institutionalized, and would not be represented in the noninstitutional population covered by SIPP. In addition, some of the $5.1 billion Veterans Administration health program goes to the institutionalized population. No good estimate of the amount of the remainder spent on administration is possible, but this also should be deducted. On the other hand, other state spending not required by federal law should be added to create a full picture of public spending.

36. The graphs use current rules for the programs mentioned, but eligibility and benefit levels from the FY 1984 period. A mother and two children, one in school and one not yet in school, were assumed. Although data show that recipients often benefit from sharing living arrangements with other family members, that was not assumed here. Amounts for AFDC, Food Stamps, and Section 8 were calculated based upon the program rules and assumptions that child care cost $160 per month and other work expenses amounted to $75. Values for Medicaid and WIC were average values for the state. Earnings were assumed to be exclusively in cash, rather than

cash and employer-paid fringes. Earnings were assumed to start at $3.35 per hour, rise to $4 per hour after six months, $5 per hour in another six months, and $6 per hour six months later. No reduction for taxes was made. Under some circumstances, families or certain members may be eligible for Medicaid independent of AFDC or SSI recipiency. In these examples, the only basis for Medicaid eligibility for these families is assumed to be related to AFDC recipiency.

37. The estimate assumes that taxes and work expenses would reduce the $18,000 to a lesser amount of disposable income.

38. Research Triangle Institute, Final Report: Evaluation of the 1981 AFDC Amendments (Submitted to U.S. Department of Health and Human Services), April 15, 1983. Additional discussion of the research on this point may be found in Supplement No. 4.

39. Judith M. Gueron. Work Initiatives for Welfare Recipients: Lessons from a Multi-State Experiment. New York, NY: Manpower Demonstration Research Corporation, March 1986. Additional discussion of research on the point may be found in Supplement No. 4.

40. Final Report of Findings, pg. 16

41. Mary Jo Bane and David T. Ellwood, "The Dynamics of Dependence: The Routes to Self-Sufficiency." Prepared for the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, Cambridge, MA: Urban Systems Research and Engineering, Inc., June 1983.

42. David T. Ellwood, "Targeting the Would-be Long Term Recipient of AFDC: Who Should be Served?," Princeton, NJ: Mathematica Policy Research, January 1986; Charles Murray, with Deborah Laren, "According to Age: Longitudinal Profiles of AFDC Recipients," Prepared for the Working Seminar on the Family and American Welfare Policy, September 1986.

43. U.S. Bureau of the Census, Statistical Abstract of the United States: 1986 (106th edition.) Washington, D.C., 1985. Table 67, pg. 46.

44. Although some states provide General Assistance to married couples, without regard to recent work history, the benefits generally are limited to a few months.

45. The bar showing her working and single would be taller in the first four months of her employment, while the full AFDC earnings disregards are in effect.

46. George Gilder. Men and Marriage. Gretna, LA.: Pelican Publishing Co., 1986, pg. 87.

47. Bill Moyers, "Crisis in Black America," CBS Special Reports, February 28, 1986.

48. "Today's Native Sons," Time, December 1, 1986, pg. 28.

49. Housing Issues: Creating A Design That Helps the Poor. Unpublished document, HUD Region 3, Undated, pgs. 7-8.

50. Kimi Gray, Chairman of the Board, Kenilworth-Parkside Resident Management Co., and former AFDC recipient. Television interview, September 25, 1986.

51. Mary Jo Bane and David T. Ellwood. "The Dynamics of Dependence," op. cit.

52. David T. Ellwood. "Targeting the Would-be Long Term Recipient," op. cit.

53. Paul Simon. Let's Put America Back to Work. Chicago, IL: Bonus Books, 1987, pg. 190.

54. Congressional Record. April 30, 1986, pg. S5077.

55. "Prometheus Bound: Democrats in Washington's Era of Limits," Chester G. Atkins. A Speech to the Heritage Foundation, Washington, D.C., September 25, 1986, pg. 4.

56. Alexis De Tocqueville. Democracy in America. New York, NY: Vintage Books, 1945.

57. John McKnight, Associate Director, Center for Urban Affairs, Northwestern University. Personal interview with the Office of Policy Development, July 1986.

58. These examples are drawn from material contained in Supplement No. 3.

59. These examples are drawn from material contained in Supplement No. 2.

60. "Altering the Face of Work: New Skills, Retraining Required for 2000 AD," The Washington Post. November 30, 1986, pg. H6.

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Supplement 1: The National Public Assistance System

Volume 1: An Overview of the Current System

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Supplement 4: Research Studies and Bibilography

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NOTE: Other Supplements are being planned.

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